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ABSTRACT

This booklet is part of a series designed to help students take and defend a position on public issues. This unit on the New Deal era raises the following issues: (1) How responsible should the government be for the economic well being of citizens? To what extent should this responsibility outweigh traditional ideas of property rights? (2) What are alternatives to the market system as a means of determining prices and wages? What advantages and disadvantages arise from centralized economic planning? and (3) How can we assure all Americans a fair share in the fruits of the economic system? The approach of this unit is to explore the issues through discussion. In discussing public issues, three kinds of questions are examined: (1) ethical or value questions; (2) questions of definition; and (3) questions involving facts and explanations. The unit is divided into five sections. The first is introductory and suggests the methods to be used in learning the material. The second section is devoted to problems that demanded relief. It is subdivided into three sections describing the onset of the Great Depression, the situation of farmers and the Agricultural Adjustment Act (AAA), and the Federal Emergency Relief Administration. The third section on recovery and reform discusses the situation of business and the National Recovery Administration (NRA), the Works Progress Administration (WPA) and its attempts to aid the unemployed, and the Social Security Act. The fourth section relates the previous materials to today's issues. The focus is on children of poverty. The final section presents questions for review and research. The appended teacher's guide explains that in addressing the questions of the unit, students will grapple with ethical value questions, definitional issues, and issues of fact and explanation. An example of an exchange between students and a teacher is given to illustrate how the teacher can help students understand that they may need more research and factual information to reach a conclusion. This document offers one way that the teacher can approach the issues presented in the New Deal booklet. The readings in the student book are described and three analogies are offered that the instructor can use to help students analyze how they support or challenge the government regulation of economy. (DK)

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Government and the Economy

Public Issues Series

THE NEW DEAL: GOVERNMENT AND THE ECONOMY

Adapted from the Harvard Social Studies Project
by Laurel R. Singleton
under the direction of
Donald W. Oliver and Fred M. Newmann

Contents

Introduction 3
What Is the Public Issues Series? 3
What Are the Central Issues of This Unit? 3
How Will We Approach the Issues in This Unit? 4
Problems Demand Relief 6
The Great Depression Strikes 6
Farmers: The AAA 18
The Federal Emergency Relief Administration 32
Recovery and Reform 38
Business: The NRA 38
The WPA: Aid to the Unemployed 44
The Social Security Act 52
Today's Issues 56
Children of Poverty 56
Review, Reflection, and Research 65

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What Is the Public Issues Series?

The Public Issues Series is a collection of units designed to help you take and defend a position on public issues. A public issue is a question involving a choice or decision over which there is disagreement. Public issues can be answered by all the citizens of a nation or community or by officials acting for them:

- Should the United States take more severe action against South Africa?

Public issues can also be phrased as choices for personal action:

- Should I picket the South African embassy?

Many issues that people have faced at other times in history are still issues today. They simply reappear in different forms. For example, questions about when people should challenge authority have persisted from the time of the American Revolution to the present. People may, however, respond to the questions in different ways; as a result, examining issues as they appeared at different times can help us better understand both the past and the present.

This unit, like others in the Public Issues Series, involves you as much more than a spectator to history. Instead, you will be a thinking, acting participant in the past, the present, and even the future.

What Are the Central Issues of This Unit?

The federal government plays a far-reaching role in the economics of American society. The trend toward government participation in the American economy was stimulated by the 1929 stock market crash. Prices of stocks had begun to falter in September of that year. Then prices plummeted out of control late in October.

Millions of people had sunk modest life savings into the market and lost them all. With their savings vanished such dreams as a new home entirely paid for, a college education for their children, and a life of comfort and security. Yet the first impact of the crash was limited to the relatively small number of American families holding stock – about 5 percent.

What hurt more than the crash of stock prices was the Great Depression that followed. This continued, with only brief respites, for ten years. In 1933 some 13 million Americans were out of work – about one-

quarter of the total work force. In 1929 only about 3 percent of the work force had been unemployed. Not until World War II was unemployment again reduced to that level.

In the intervening period, the government tried to right the nation's economy and help the millions of desperate Americans through several programs. Among these programs were the AAA (Agricultural Adjustment Administration) to help farmers, the CCC (Civilian Conservation Corps) to provide outdoor work for unemployed men aged 18 to 25, the NRA (National Recovery Administration) to aid employers and workers, and the WPA (Works Progress Administration) to coordinate agencies established earlier.

Several of the agencies were declared unconstitutional and abandoned, but aid to needy groups and government management of the economy continued. The relationships between government and the economic system created in the New Deal era raised questions that remain with us today:

- How responsible should the government be for the economic well-being of citizens? To what extent should this responsibility outweigh traditional ideas of property rights?
- What are alternatives to the market system as a means of determining prices and wages? What advantages and disadvantages arise from centralized economic planning?
- How can we assure all Americans a fair share in the fruits of the economic system?

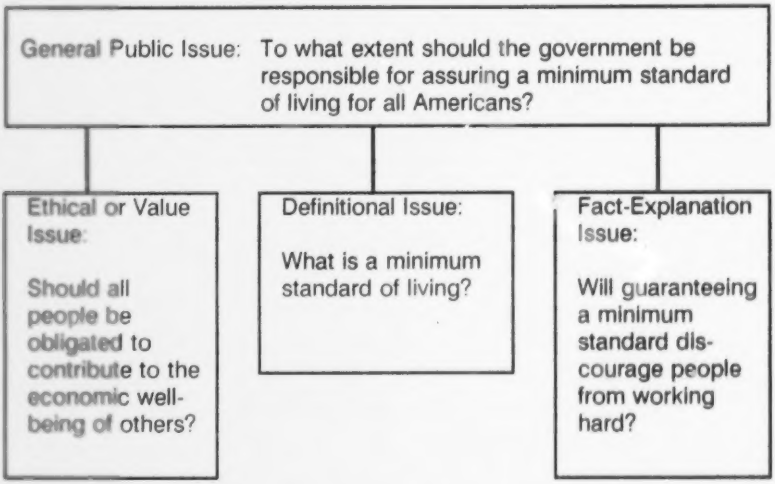
How Will We Approach the Issues in This Unit?

In this unit, you will take part in many discussions. Remember that not every discussion will resolve disagreements. It is often just as useful for people to learn to state their ideas with more precision and clarity and to discover precisely how their ideas differ from those of others.

No matter what the purpose of the discussion, it can become bogged down by smaller disagreements. Learning to identify the kinds of questions being raised can help keep the discussion moving. In discussing public issues, people generally look at three kinds of questions:

- Ethical or value questions. These questions deal with judgments about what should or ought to be done – judgments about rightness and wrongness.
- Questions of definition. These questions revolve around the meaning of important words or phrases.
- Questions involving facts and explanations. These questions focus on disagreements about the descriptions or explanations of events.

Examples of each kind of question are given in the diagram below:


General Public Issue: To what extent should the government be responsible for assuring a minimum standard of living for all Americans?
Ethical or Value Issue:
Should all people be obligated to contribute to the economic well-being of others?
Definitional Issue:
What is a minimum standard of living?
Fact-Explanation Issue:
Will guaranteeing a minimum standard discourage people from working hard?

You may be starting to see that dealing with public issues involves thinking on several levels at the same time:

- Thinking about the controversial topic at hand.
- Thinking about the process of clarifying the topic by identifying the kinds of questions being raised and using strategies for dealing with them.
- Thinking about the feelings and relationships we develop toward others in the conversation and how we can deal constructively with these feelings.

Remember that the reason for discussing a public issue is not to "win" the argument but to understand more clearly your own views and the reasons that support them, as well as differing opinions.

The Great Depression Strikes

The nation sank from feverish prosperity to the worst economic slump in its history. What was to be done?

* * * * *

The Roaring Twenties

In the 1920s people sat on flagpoles just to see how long they could stay up; they swallowed live goldfish on a bet with their friends; they wagged their knees to a dance called the "Charleston" and crowded into smoky speakeasies – the night clubs where you had to "speak easy" to get illegal liquor.

The names of Al Capone and lesser-known mobsters and boot-leggers appeared almost daily in newspaper headlines. A young and handsome flyer named Charles A. Lindbergh flew a single-engine plane across the Atlantic for the first time and became a world hero.

It was also a time when American industry set records. Thousands of automobiles, radios, and refrigerators rolled off the assembly lines at record-breaking rates. Aided by new technologies, profits in industry increased 80 percent. Profits of banks and stockbrokers rose a fantastic 150 percent. The New York Stock Exchange, where a large percentage of the stocks of leading companies are traded, showed prices climbing higher and higher. The market value of stocks in mid-1929 stood at 67 billion dollars, the highest in our history. Holding companies – corporations that held stock in other corporations rather than producing goods themselves – expanded.

Businessmen hailed the "new economic era." Journalists coined phrases like "the roaring twenties" and "the jazz age." It was an exciting, confident time. But beneath the frothy surface lay serious trouble.

The soaring stock prices, for example, depended on such practices as brokers' loans. The brokers – dealers or sellers of stock – often sold a

share of stock to a customer for only 25 percent of its market price; the other 75 percent was considered a loan. This way customers could buy for $10 in cash a share of stock worth $40. For $40 they could buy $160 worth of stock. Since the market was steadily rising, they could sell the stock for profit, pay back the loan, buy more stock, and repeat the process all over again. Who could lose? As long as stock prices continued to rise, the system was foolproof. By the end of 1927, brokers' loans stood at $4 billion. Brokers raised the money they needed by borrowing huge sums from banks. Yet little money was actually being used for capital investment – building or major equipment purchases that would actually increase the value of a company's assets.

The country's economy was off-balance in other ways, too. In dollar terms, although about one-tenth of American families were earning over $5,000 a year in 1929, seven-tenths of them earned less than $2,000 a year. Nearly half of the workers at one auto company earned less ($1,712 per year) than necessities cost ($1,720).

Entire industries were in trouble. Thousands of coal miners were out of work, as were many cotton spinners. American farmers also had little to cheer them. While farm prices and incomes steadily declined, prices of manufactured goods increased. Farm prices dropped almost 70 percent from 1920 to 1925; five years later, the lowered prices had fallen another 30 percent. Under such conditions, farmers found that they could not pay back the money they had borrowed when times were better. Many lost their farms and their homes to banks and other creditors.

The great majority of both the urban and rural populations, in other words, did not have the income to keep buying new goods indefinitely. Business kept on mass-producing, but if the money in the country was so unevenly distributed, who was going to do the purchasing?

Despite the weaknesses in the American economic structure, businessmen and almost everyone else remained optimistic. According to Herbert Hoover, just before he was overwhelmingly elected President in 1928: "We in America are nearer to the final triumph over poverty than ever before in the history of any land." And how did we get so near the final triumph? Here are excerpts from Mr. Hoover's final campaign speech:

> During 150 years we have [developed] a form of self-government and a social system which is peculiarly our own. It differs essentially from all others in the world. It is

> the American system. It is founded upon a particular conception of self-government in which decentralized local responsibility is the very base. Further than this, it is founded upon the conception that only through ordered liberty, freedom, and equal opportunity to the individual will his initiative and enterprise spur the march of progress.
>
> When [World War I] closed...we were challenged with a peacetime choice between the American system of rugged individualism and a European philosophy of diametrically opposed doctrines – doctrines of paternalism and state socialism. The acceptance of these ideas would have meant the destruction of self-government through centralization of government. It would have meant the undermining of individual initiative and enterprise through which our people have grown to unparalleled greatness.
>
> When the Republican party came into full power, it went at once resolutely back to our fundamental conception of the state and the rights and responsibilities of the individual. Thereby it restored confidence and hope in the American people; it freed and stimulated enterprise; it restored the government to its position as an umpire instead of a player in the economic game.

This was the American philosophy of rugged individualism that had presumably made the country great: you could get ahead if you worked hard enough. In 1928 Herbert Hoover and the majority of Americans were certain it would survive and flourish.

Questions for Conversation

1. What were some of the economic danger signals in the late 1920s?

2. How would you define *rugged individualism*? What evidence, if any, do you see that Americans still believe in this philosophy today?

The Collapse

Seven and a half months after Herbert Hoover's inauguration, America's economic system began to come apart. Disaster came on Thursday, October 24, 1929. As stock prices dropped sharply, panic hit Wall Street, then spread to brokers' offices across the country. To

thousands upon thousands of shareholders huddled before the board in brokerage houses or around the inverted glass bowls, the ticker tape's parade of numerals spun out a story of economic disaster. Frantically, these people rushed to sell their stock before they lost even more heavily; under the torrent of sales, prices fell more rapidly. On "Black Thursday," October 24, an incredible total of almost 13 million shares had been traded on the New York Stock Exchange. Over the weekend brokers and financiers shakily reassured themselves that the worst had come and gone. But five days later, more than 16 million additional shares were sold. The average stock price fell $92 the following Monday and Tuesday.

The stock market crash triggered a larger economic collapse. Brokers called in their loans, but the stock owners—already deeply in debt—could not pay. Banks and insurance companies that had invested heavily in stock found themselves in serious trouble. Operating companies—those actually engaged in production—found themselves without funds to carry on. Workers were laid off. Thousands of people who had never invested in stocks rushed to the banks to get their money, only to discover that the banks had lost it on the stock market. The bubble of prosperity had burst, and no one was immune from the effects.

Statistics give some idea of the extent of the collapse. Between 1929 and 1932, gross national product—the total income of the American economy—declined from $104 to 58 billion. Wages dropped from $45 to 25 billion. Production of consumer goods, such as automobiles and refrigerators, dropped 70 percent. In 1930 one out of every four American workers was out of a job. Those who did have jobs in industry averaged only $22 a week, not enough to maintain a decent standard of living.

Some examples from the 1930s will help you understand the impact of the collapse on individuals.

Take the industrial chemist from Illinois who, in 1933, approached a man in North Station in Boston. He did not want charity, the chemist said, and he was not really hungry. He showed his identification papers. He said that he had had only three weeks' work in two and a half years, that he had lost his home, and that his wife and two children were living with his in-laws back in the Midwest. For more than a year he had drifted about the country, not writing to his family because he was ashamed that he could give them no return address. He repeated that he would

not take charity. But wasn't there a job anywhere in Boston for an experienced chemist with two college degrees? He'd take any work.

Meet Mrs. S. Her husband, an electrical engineer, had worked 18 years for the General Electric Company. When hard times hit, he had to accept a job as a night fireman in an apartment house, 13 hours of hard work every night, at $75 a month. Seventy-five dollars was little enough to feed and clothe a family of four people, even with prices as low as they were during the depression. But this job would last only a few weeks longer. Mrs. S. had tried to get a job herself, but because she had not worked before and had no recommendations, no one would hire her. Mrs. S. wrote a friend: "We have lost all, both position and hope, and worst of all, our faith in human beings generally. People who have not tried it do not know what humiliations one is out for as an unemployed. It feels like a crime one is innocent of."

Then there was Mr. Heinz, 44 years old, who told his story in court. He was a university graduate who had worked for years as a construction engineer. Recently, after months of fruitless search for work, he had come upon a dump pile near the outskirts of St. Louis. There he made his home, building a bed out of automobile parts and other junk. He left this home every morning to tramp the streets an average of 18 miles a day, looking for a job. Now Mr. Heinz had been arrested on a charge of vagrancy. When the arresting officer found him, he was sleeping on his junk bed under a blanket, a bag of rolls beside him. The blanket had been given him by the fireman on duty at an engine house nearby, and the rolls had been brought by some schoolchildren in the neighborhood.

These had been the well-off, and they were not alone. In Detroit, Michigan, lawyers, bank tellers, doctors, and teachers were all on the welfare lists. More than a hundred students were being fed every day in the breadline at the University of Illinois. Doctors in large cities took jobs as taxicab drivers, night watchmen, and elevator operators. The superintendent of the Unemployed Girls' Hotel in New York said that "our residents include stenographers, nurses, secretaries, musicians, dress designers, X-ray technicians, artists, buyers, and others who formerly earned good salaries." Fully 40 percent of the jobless married men who sought relief in New York City during the winter of 1932-33 were former executives and white-collar workers.

The New York Times reported that "the 1,000 heads of families and single women for whom the Adopt-a-Family Committee seeks to provide

tide-over jobs earned an average of $5,000 each year before they were thrown out of work."

All over the country people like these formed squatters colonies. It was the only way they could live. "Hardluck-on-the-River" in New York City, for example, had 250 residents in 60 unheated shacks, clean and orderly streets, laws that were enforced, and even a mayor. However, the city government sent a wrecking crew to clear away Hardluck-on-the-River – some citizens had complained that it was an eyesore. And so the unemployed found themselves on the move again.

For those who had been poor before, people seldom free from the threat of unemployment and need, the depression of the 1930s was even worse. It meant a desperate battle for survival, a battle against cold and disease and, above all, hunger.

The city poor suffered more than usual because the cities ran out of money to give welfare relief; not only corporations went bankrupt but cities as well. In Detroit, for instance, Mrs. Charles Schmidt was the mother of one of 11,000 families dropped from the food and milk list during a city thrift drive in the summer of 1931. Her husband had been out of work for 13 months. That summer, Mrs. Schmidt took her five-year-old son into the kitchen and turned on the gas because, her suicide note said, she didn't know where her other children would get enough to eat.

In Cicero, Illinois, men and women lined up every day at the garbage dump, waiting for city trucks to dump the refuse from which they could find food to carry back home. People of every nationality and color and age picked over the refuse heaps of decayed food at Chicago's wholesale market. On the sidewalks and in the doorways of once comfortable Germantown, Pennsylvania, crouched children without shoes, without rags enough to go to school, with cheeks hollowed and eyes glazed from starvation by undernourishment.

These conditions spread as the Great Depression rolled over the country. In 1931 four New York City hospitals listed 95 cases of death by starvation – deaths that had their counterparts in and out of hospitals all over the United States.

Out in the mining country, life was no better. John Zobranskie, a Pennsylvania coal miner, never earned more than $8 a week during eight months of work – that's less than $300 in the course of a year. And his debts to the company for medical bills, for tools, food, and clothes from

Children in the Depression

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the company store were larger than his salary, so that he never received any cash. But Zobranskie was lucky; since he was still working, even part-time, he could buy at the company store. As for the others...in town after town, in Pennsylvania, Ohio, Indiana, Illinois, and West Virginia, there was no food and no organized relief. The community government had folded up, with the town's economy. Adults had not eaten more than a chunk or two of bread in a week; young children had not tasted milk or anything other than dried bread and canned vegetables for two weeks. Whole families turned to begging. They moved into foul-smelling barracks built of rotten boards with huge holes and covered by leaky roofs – one family to a room. The healthy became sick, the sick became sicker, and none received medical attention.

Then there were the farmers, who knew that now and then the weather would bring hard times. But they couldn't expect – or cope with – the combination that hit them in the Great Depression.

Since people in the cities couldn't buy as much to eat, the farmers sold less food. Since the demand for the crops was less, the prices went down – and down; farmers' incomes decreased even when they could sell all they produced. Their costs – for seed and fertilizer, tools and tractors – stayed the same or even went up; they were caught in a squeeze between falling income and rising costs. Five times as many farms were sold for bankruptcy in 1933 as in the whole preceding decade.

In the Great Plains, another problem plagued farmers. The crops wouldn't grow because the rains never came. In Texas and Oklahoma, Kansas and Nebraska, Iowa and the Dakotas, the ground dried up. It caked over thousands of square miles; then it became dust. The "Okies" from the Dust Bowl headed west or north or east to settle in what they called Hoovervilles. But they seldom found any more food there than they had back on the farm. They faced starvation everywhere.

Questions for Conversation

1. Who was responsible for the suffering described in this reading? The government? Stock brokers? Businesses? The people themselves? Explain your answer.

2. What were some of the things that people did under the stress of depression hardships? What might be the long-term effects on individuals who suffered such hardships? Talk to someone who lived through the Depression. What hardships were most memorable? How did the experience change them?

The Election of 1932

In 1932, four years after Herbert Hoover had won the Presidency on a platform that supported rugged individualism, the nation was in crisis. Now President Hoover was forced to ask for relief—assistance for the needy—although on a voluntary basis, in order to "preserve the principles of individual and local responsibility." He also succeeded in having Congress pass legislation for the Reconstruction Finance Corporation, which loaned money to private companies as well as government units. Despite these measures, the depression continued and worsened.

In June 1932 the Republican National Convention met at Chicago and renominated Hoover. Later in the same month, the Democrats nominated Franklin Delano Roosevelt, Governor of New York State. "I pledge you, I pledge myself," Roosevelt told the convention, "to a New Deal for the American people." The Democratic platform did not mince words:

> In this time of unprecedented economic and social distress the Democratic party declares its conviction that the chief causes of this condition were the disastrous policies pursued by our government since the World War.... The only hope for improving present conditions, restoring employment, affording permanent relief to the people, and bringing the nation back to the proud position of domestic happiness and of financial, industrial, agricultural, and commercial leadership in the world lies in a drastic change in economic governmental policies.

The Republicans had every right to be pessimistic. After over three years of depression, the nation was still suffering hardship and despair. But the Republicans campaigned on their principles: rugged individualism versus the Democrats' "drastic change in economic governmental policies." Herbert Hoover said in a campaign speech that the coming of the New Deal would mean that "the grass will grow in streets of a hundred cities, a thousand towns; the weeds will overrun the fields of millions of farms." Prosperity, he said, was "just around the corner." Perhaps the people didn't take either the philosophy of the parties or the hopes and warnings of the politicians with complete seriousness. But evidently they wanted a change. On November 8, 1932, Franklin Roosevelt received almost 28 million votes (and the electoral votes of 42 states) to Hoover's 16 million votes.

On March 4, 1933, Franklin D. Roosevelt was inaugurated as President of the United States. He spoke to the nation:

> This nation asks for action, and action now. Our greatest primary task is to put people to work.... It can be accomplished in part by direct recruiting by the government itself, treating the task as we would treat the emergency of a war, but at the same time, through this employment, accomplishing greatly needed projects to stimulate and reorganize the use of our natural resources.... It can be helped by preventing realistically the tragedy of growing loss, through [mortgage] foreclosure, of our small homes and our farms.... It can be helped by the unifying of relief activities which today are often scattered, uneconomical and unequal....Finally, in our progress toward a resumption of work we require two safeguards against a return of the evils of the old order; there must be a strict supervision of all banking and credits and investments; there must be an end to speculation with other people's money....
>
> Our Constitution is so simple and practical that it is possible always to meet extraordinary needs by changes in emphasis and arrangement without any loss of essential form.... I shall ask the Congress for...broad executive power to wage a war against the emergency as great as the power that would be given me if we were in fact invaded by a foreign foe....
>
> The people of the United States have not failed. In their need, they have registered that they want direct, vigorous action.... In this dedication of a nation we humbly ask the blessing of God.

Questions for Conversation

1. How did Roosevelt's inaugural address in 1933 contrast with Hoover's last speech of the 1928 presidential campaign?

2. List some of the actions Roosevelt said were necessary to meet the primary goal of putting people back to work. As you learn more about the New Deal, keep track of which actions were taken and whether they succeeded or failed.

Persisting Questions of History

Responses to the Depression. When the expectations people have about holding jobs in private business and making a living are violated, what is a reasonable response? Below is a list of problems that were encountered during the depression and the types of responses. Put the responses in order from "most reasonable" to "least reasonable" by numbering them: 1 – most reasonable, 2 – next most reasonable, etc. Be prepared to defend your opinion. Consider how the responses conflict with the property rights of individuals and businesses.

Problem: People lose their jobs and no longer can buy food.

Alternatives available

- beg in the streets and scavenge in dumps
- steal secretly
- organize groups to protest by stealing openly from grocery markets
- quietly starve
- organize a protest on the steps of city hall

Problem: People lose their jobs and no longer can pay rent or make payments on their mortgages.

Alternatives available

- make an agreement with the landlord for future rent payments
- continue living in one's apartment or home and barricade oneself in if there is any attempt to evict
- continue living in one's apartment or home and defend oneself with arms, if necessary
- move onto the street when evicted and camp in front of one's home or apartment
- move to a vacant lot and camp quietly
- move in with friends or relatives, even though this becomes a major disruption

Problem: A local construction company that repairs and maintains homes and apartments is about to go out of business because people cannot afford to pay for its services, even though the services are much needed.

Alternatives available

- have the city take over the company and run it as a "public service"
- have the city give money to private homeowners to keep their homes in repair if they show they cannot afford to pay for such repairs
- have the city give money directly to the company to keep it in business, but maintain it as a private enterprise
- let the company go out of business

Evaluating the Need for Government Action. Do you agree that fighting economic problems is equivalent to a war? What about government action to stamp out drugs or disease? What similarities and differences do you see between government waging war and government trying to solve these problems? Be sure to think about alternatives to government responses in deciding whether you think government action is needed in dealing with "crises" that do not involve war.

Farmers: The AAA

Within hours of his inauguration, Roosevelt was taking action to address the banking crisis, declaring a bank holiday and calling an emergency session of Congress to consider the Emergency Banking Act. That act was introduced and passed on March 9.

The American farmer was desperate, and Roosevelt's administration knew it must act fast. The Agricultural Adjustment Act was sent to Congress on March 16; it was signed into law on May 12.

The reading below describes the development of the farm problem and the actions taken to provide relief. As you read, decide whether you think the government's farm policy was wise.

* * * * *

From *The New York Times*: Le Mars, Iowa, April 27, 1933. A crowd of more than 600 farmers entered the courtroom of District Judge Charles C. Bradley this afternoon.

The Judge requested them to take off their hats and to stop smoking cigarettes.

"This is my court," he said.

At his words, the farmers, wearing bandanna handkerchiefs over their faces, arose, hauled him off the bench, slapped him and shook him, and finally carried him bodily out of the courthouse onto the lawn.

There they made their demand that he swear he would not sign any more mortgage foreclosure actions. Judge Bradley, who is about 60 years old, defied the crowd and was jeered and again slapped.

Next they put him on a truck and drove to a crossroad, where they reiterated their demands, but the judge continued to refuse.

A rope was then put about his neck, and when someone gave it a pull, Judge Bradley fell, only partly conscious, but still refusing to comply with their request. The farmers then dragged him to his feet, carried him

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to the side of the road and threw the loose end of the rope over a sign, but Judge Bradley defied them to "go on."

"Make him get down on his knees and pray," one of the farmers shouted.

The judge was pushed to his knees. "I will do the fair thing to all, to the best of my knowledge," he said.

One of the farmers removed a hubcap from a truck and placed it on the judge's head. Oil and grease from the cap ran down his face and the farmers threw dirt on him, which stuck to the oil.

After the""prayer" the farmers removed Judge Bradley's trousers and filled them with dirt from the roadside. Then they drove off.

[Later that week, following several other incidents, Governor Herring of Iowa placed six counties under martial law and moved in the National Guard. One farmer was reported to have said: said that if the government did not stop foreclosures and raise prices, there would be revolution.]

Background of the Problem

During the war years (1914-1918), prices of agricultural products soared. America and its European allies, France and Britain, needed extra crops to feed the population. Although production expanded, the demand was so great that in 1920 farmers received more than twice as much for a bushel of grain as they had ten years earlier. Then suddenly farm prosperity came to an end. The European allies began producing food and demand fell. While new technologies, such as gas tractors, allowed farmers to produce more, they also contributed to lower demand. Work horses, once large consumers of grain, no longer were needed. Throughout the 1920s, prices fell, farm values fell, income fell, the number of farmers fell.

Agriculture, in other words, was in a depression long before the rest of the country. In 1920, net income to farmers had been over $9 billion; in 1930, it was slightly over $5 billion; in 1932, the year Franklin Roosevelt was elected president, it was at its lowest as far back as government records had been kept – $2.5 billion.

Not only were farmers' incomes at their lowest, but their expenses – especially bills for seed, fertilizer, equipment, and gas to run new equip-

ment—were high. Many farmers went bankrupt and the holders of mortgages—banks and city people—foreclosed, taking over the farm property. Ten percent of all farm property was foreclosed and auctioned between 1927 and 1932. When a farm was foreclosed on, the farm family lost their land, their way of making a living, and their way of life.

After many attempts, a Farm Relief bill was passed in 1928, providing for the federal government to purchase "surplus" production in order to keep the price of crops up. But President Coolidge vetoed the bill because he thought it violated the free-enterprise system and would lead to enormous overproduction of food.

The following year, Herbert Hoover signed a modified Agricultural Marketing Act that authorized $500 million of low-interest loans to organizations that purchased and distributed such products as cotton, grain, and livestock. In 1930, a Federal Farm Board was created to buy crops in order to keep prices up. But these programs did not keep farmers from sinking deeper and deeper into debt. In addition to their decade-old troubles, farmers now faced the severe weather problems that were creating the dust bowl on the Great Plains. With city people short of money after the crash, who was going to buy the food that was raised? Farmers lost hope; for some, as in Le Mars, Iowa, violence seemed the only solution.

Questions for Conversation

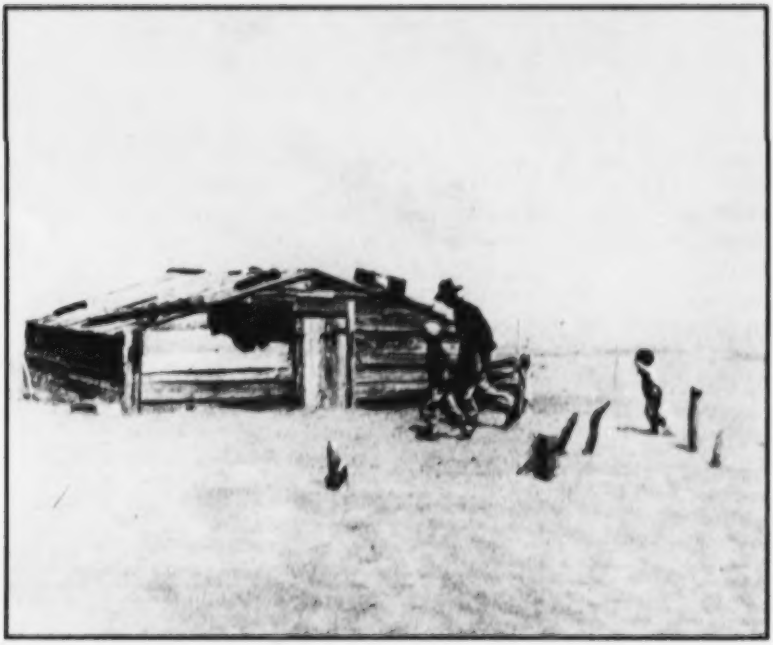
1. Summarize the causes of the economic condition of farmers during the 1920s and early 1930s.

2. Do you think this condition justified violence of the kind that occurred in Le Mars, Iowa? Explain your answer.

The Agricultural Adjustment Act

Even before the inauguration, the Roosevelt administration was hard at work on a law offering more relief for the farmers' distress. After two conferences during the winter of 1932-1933, government leaders—FDR brain trusters—and farm organization representatives came to agreement on the terms of the new legislation. Their bill would not only control agricultural output but also would balance it by shifting production away from crops where more was being produced than was needed.

The purpose of the act was to establish and maintain a balance between production and consumption of agricultural commodities so that



farmers' purchasing power would rise to the level it had maintained in a "normal" period, in this case the average of 1909-1914. This prewar era was known as the "parity period," and the Agricultural Adjustment Administration (AAA) had the job of adjusting current agricultural prices so that farmers would receive parity values for their crops. The method of adjustment required the government to work out agreements with groups of farmers that would lower the amount produced, thereby raising the price. The AAA, in other words, had to persuade the farmer to limit production. The scheme for the limitation was a system of quotas – in terms of acres – set for each farmer and based on the average amount of land he had farmed in recent years.

This was known as the "domestic allotment" plan. The reward for cooperating in this scheme for the reduction of crops was cash payments to the farmer from the government covering, in part, the income that the farmer would have made from his unused acres. The government proposed to raise this money from taxes placed on the processors of agricultural commodities, such as grain elevator operators, fertilizer

manufacturers, or textile mills. It was a complicated scheme, but agriculture is a complicated segment of the American economy.

The AAA was created not a day too soon. In May 1933, 40 million acres of cotton had been planted, and a bumper crop seemed inevitable. Cotton prices already had slumped from 10 cents in 1930, 20 cents in 1927, and 35 cents at their height in 1919 to 5 cents a pound in 1932. If the 1933 crop ever went on the market, the price would sink out of sight. But how could one arrange for thousands of farmers scattered across the nation to market only a specified portion of their crops? The newly created AAA was still a confusion of desks, telephones, people, and conferences; obviously, it alone could not yet do the job. But the cotton was ripening, and action could not be put off.

County agents immediately launched a whirlwind drive, signing up hundreds of thousands of farmers for the "plow-under" campaign. Tractors pulled steel plows back and forth across the fields, back and forth until one-quarter of those 40 million acres of cotton was uprooted. (The farmers who had only mules found it hard to persuade the animals to violate lifelong training and walk on the cotton.)

Ten million acres of cotton were destroyed, in return for which the growers received $100 million in benefit payments. But the cotton farmers fertilized the surviving three-fourths of their crops so heavily that total output in 1933 was slightly higher than in 1932.

The AAA could plow under cotton, but what could it do about hogs? The problem was the same for both kinds of producers: disastrously low prices and excessive supply. But to hold down the production of hogs meant not plowing under but slaughter – the slaughter of millions of little pigs that otherwise would swamp the hog market in the spring of 1934. That was the solution recommended by leading farm organizations and quickly adopted by the AAA.

The program got under way in August 1933, as the government began purchasing the first of 220,000 sows and more than 6 million pigs. Six slaughterhouses were authorized to receive the animals. Within two days these markets were flooded with baby pigs that no fence could hold. Scampering out of the stockyards, they ran squealing through the suburbs of Omaha and Chicago. Meanwhile, the packing plant dehairing machines, which had been built for the stout bristles of a full-grown hog, fouled with the relatively light hair of the piglets. Many of the little animals had to be sent to tankage – that is, ground up for fertilizer. But the

storage facilities for tankage were soon overrun and some of the ground-up porkers ended up in the Mississippi River.

Eventually, though, the campaign achieved much of what it sought: hog prices rose slightly, pork production for the coming year was reduced, and the government's $33-million purchase put money into the hands of hog farmers to tide them over the winter months.

The campaign also aroused a public furor. To destroy all that food when millions of families in the United States and around the world were going to bed hungry! The paradox outraged Americans. Few realized that most of the pork was distributed to families on relief.

Questions for Conversation

1. What were the purposes and strategies of the Agricultural Adjustment Act? Do you think the AAA policy of forced destruction was proper considering that some Americans were starving?

2. Do you think the Agricultural Adjustment Act was a violation of the free enterprise system? Be sure to define *free enterprise* before deciding on your answer.

Mr. Lundborg's Check

By 1934, the AAA's domestic allotment program was in high gear. Its operations were reported in a magazine article:

A pallid young woman jabbed a button or two and pulled a small lever. A shining tower in front of her began to mesh, mingle, slide, and sing. A bit disdainfully she picked up a handful of cards that a mechanical carrier had fetched to her right hand and thrust them into the machine's mouth.

Promptly the contraption began to disgorge thin cardboard checks for men, women, and estates in 30 states....

In a couple of days they would be delivered in 10,000 villages, crossroads, and lane ends into the heavy hands of farmers who raise the country's wheat, cotton, tobacco, corn, and hogs.

From "Money in the Mail Box," Collier's (February 10, 1934), by Walter Davenport.

It was on a Wednesday that Mr. Lundborg's check arrived. If he had been the sort of man that kidding discomfited, he would have been in quite a dither because all his neighbors had received theirs and had already undergone the mental strain of deciding what to do with the money – not that there weren't more uses to put it to than there were dollars.

But Mr. Lundborg was not a nervous man. For more years than he cared to think about he had raised hogs and corn under a Dakota sky that could blister Satan himself in the summer and be frozen granite from Thanksgiving to May Day. Mr. Lundborg had learned to wait; nature had taught him. Droughts had shriveled him, and locusts had devoured him. Poland China hogs – waddling, snuffling mammoths – and Hampshires, too, had curled up on him overnight to die like babies in a black pestilence and he hadn't bothered so much as to learn the queer name of the disease that killed them. Such incidentals to a farmer's life as tax collectors and mortgage holders had besieged him and he hadn't even asked them how much they wanted. What would be the use? He wouldn't have it. The fatalistic Mr. Lundborg's veins ran full with patience.

So he knew that sooner or later the government was going to send him exactly $455 – something more than half of it right away and the rest a year hence – and he wasn't to be flustered by all this nonsense....

Rather than compile a schedule of the things he intended to buy, Mr. Lundborg had gone in for checking off what he would not do. He owed the bank money, for example. But the bank owed him some, too. Last March his bank shut up tighter than a state's witness and nobody had come along strong enough to pry it open – nor foolish enough to try. So let the bank go chase itself with its conservator in it. He owed taxes too, but who didn't? He had been hearing a lot about taxes lately, although he suspected that something more than 99 percent of what he had heard wasn't so.

Anyway he had heard that some were going to be written off and some rewritten and that Congress was going to do something about them. So his taxes could wait a while despite the moans of local politicians that local government would cease to function if taxes weren't forthcoming from the landowners. As far as Mr. Lundborg was concerned, it could go ahead and stop functioning, if it hadn't already. Let Government find a way for him to sell his corn and hogs at a fair exchange price – and he would pay taxes. Besides, what did they mean – "landowners"? Between the bank, the tax collector, and the owners of

his mortgages he had lost grip on about everything but the door latch of the house he lived in. And that was pretty loose.

So when the check arrived, Mr. Lundborg did precisely what most of his neighbors had done. He converted that card into cash. And believe him, that cash felt good.

With the actual money in his hand, Mr. Lundborg called the family together. And after considerable argument, Mrs. Lundborg handed down the family decision....

The north side of the house was no longer winterproof. The wind had lost all respect for that side of their home and had become as familiar with the inside of the house as it was with the outside. Mr. Lundborg nodded. Thirty dollars for lumber. Out in the barn he already had enough nails to build a courthouse.

Well, they wouldn't have to spend much for foodstuffs. The Lundborgs and their neighbors might be stony broke but it would be a long time before they starved. In the barn, the smokehouse, the cellar, attic, and in sundry side rooms and closets there was food enough to keep the township well-nourished for a year—pork, beef, dried and canned vegetables, potatoes, apples, home-ground flour, and so on, not overlooking several five-gallon kegs of applejack to thaw out the interior of Mr. Lundborg after a frigid day in the fields. But they would be needing such things as sugar, coffee, salt, and the like, which even so capable a man as Mr. Lundborg could not coax out of his corn-belt acres. So much for that.

As for the children—the young ones—well, Rolf was going to get a suit of clothes. Rolf, upwards of 12 now, had never been the proprietor of a whole suit of clothes. In fact, Rolf had never owned a pair of pants that had always been his. Not that Rolf cared much. Were the decision left to him, he would have chosen a bicycle or a radio....

Let's see: There was lumber for the house, staple groceries for the pantry, so much to the grocer on that old bill, store clothes for the children, spectacles for young Anne who had needed them a year, a subscription to the newspaper because these were no times to be going around unaware, several new parts for the motor car, two barrels of white paint and one of red, something on that seed loan. And so on until Mr. Lundborg called a halt....

So on Saturday Mr. and Mrs. Lundborg drove to town alone. Leaving Mrs. Lundborg on West Main Street where the shops begin, he...wandered over to the post office and met some old friends. Within minutes the chitchat was over and the usual topic had come up: the Government farm program. As usual, Mr. Lundborg became hot with resentment when he thought of the 280 acres of corn (20 percent of his total) that he had to leave unplanted if he was to get the Government bounty. And that meant raising 25 percent less hogs, too. Mr. Lundborg was angry.

"The hell with Wallace, Peek, Tugwell, and the rest of them down in Washington. What we farmers want is prices ."

Some of his more philosophical neighbors liked to bait him.

"Where are you going to get these prices? Who's going to pay them?"

"The Government."

"What's the Government going to do with the crops?"

"Let Wallace and Tugwell work that out. They're telling me what to do now, ain't they?"

"Suppose the Government runs out of money?"

"Let them get it from Wall Street," roared this man, whose troubles had been redoubled by land speculation.

"Suppose Wall Street ain't got it or won't come through?"

"Well, let's print it, by God - print plenty and break their backs."

But these, of course, were words of desperation. If you persisted, he would cool off enough to concede that the hole he was in was not as deep as it had been in 1933. For the land he agreed to keep out of production he got what the Government called a rental at the rate of 30 cents a bushel, the number of bushels being calculated on past production. For example, let's take a little fellow who took 20 acres of corn off the market. His acres had been producing 40 bushels each. He got a rental, or bonus, of $12 an acre for keeping them out of cultivation. The Government asked that he keep this land physically fit, however, using it for summer fallowing inasmuch as it was likely to be a bit tired anyway, or for pasture or meadow. This agreed to, the Government granted him $240, two-thirds of which he got at once and the balance a year hence. Like money in the bank – a good bank.

Similarly, he got a bonus for agreeing to reduce the number of hogs he would market in 1934. He agreed, let's say, to market only 75 hogs whereas he used to sell 100 - at a loss. The Government made all that up to him by giving him $5 a head on the 75 he marketed. Moreover, he got two of those five dollars immediately and the other three in installments. All told, therefore, he got $310 in his first check.

Thus went the $350 million the Government gave to the corn-hog farmer to tide him over his most evil days.

Questions for Conversation

1. How did Mr. Lundborg feel about his benefits under AAA?

2. Do you agree with Mr. Lundborg's reasoning in deciding not to use his check to pay the bank or pay taxes? Why or why not? Which of the following items should *not* have been bought until he paid his taxes. Why?

- New clothes for his children
- Food
- Lumber to winterize the house
- Paint for the house and barns
- A radio for his son
- A subscription to the newspaper
- A trip to the barbershop, complete with haircut, shave, and shampoo

The Supreme Court and the AAA

By the end of 1935, farmers were on their way toward economic recovery and stability. It is difficult to know just how much credit the AAA deserves for this improvement, severe droughts in 1933 and 1934 limited production of corn, wheat, and livestock more efficiently than the domestic allotment program could have done. But the AAA cotton and tobacco programs were undeniably successful in keeping down output and keeping up prices.

As 1936 began, net farm income had more than doubled within three years. Although the value of farmland was to continue at a low figure for another decade, the ratio of farm prices to the prices that farmers paid for manufactured goods had risen from 58 percent (1932) to 88 percent (1935). This was strikingly close to the ideal ratio of 100 percent in the "parity period" of 1909-1914. Such economic gains, along with governmental credit, allowed farmers not only to hold their own in the battle against bankruptcy, but even to turn the tide for the first time since 1920. Total farm debt became almost 20 percent lighter between 1930 and 1935.

The New Deal farm program had overcome innumerable obstacles during its first two and half years. But on January 6, 1936, it confronted an obstacle that it could not overcome. The Supreme Court, by a six-to-three vote, ruled in *United States v. Butler* that the Agricultural Adjustment Act was unconstitutional.

The case involved the Administration's attempt to collect $80,870.02 in taxes from a cotton mill. The lawyers for the mill claimed that the Constitution did not allow the government to collect revenue in order to regulate agricultural production. The Administration, they said, was in effect taking money from one group of people (the processors) simply to

put it in the hands of another group (the farmers); this made the tax unconstitutional. The attorneys for the Administration relied on the clause of the Constitution that gives Congress the power to "lay and collect taxes . . to pay the debt and provide for the . . .general welfare of the United States."

The Supreme Court found the law to be unconstitutional. The agricultural crisis, the Court argued, was a local not a national matter affecting the general welfare. Thus, the federal government had no power to regulate production. The tax, said the Court, "plays an indispensable part in the plan of regulation" and is an "expropriation of money from one group for the benefit of another."

However, the Court's decision did not change the condition of the farmers, who desperately needed some kind of assistance. The Administration decided to take another tack. It would pay the farmer to take land out of production on the grounds of conserving natural resources.

Payments were made to farmers who planted fewer "soil-depleting" crops. It just happened that these were the same crops that showed large surpluses. The new law also used crop loans for quick relief.

Farmers were allowed to borrow money from the government, using their stored crops as collateral. If prices rose, the farmer could sell the stored crop and repay the loan. If the stored crop rotted in storage, the government took the loss. Farmers were given the oppportunity of voting for certain acreage allotments (quotas on the number of acres to be planted), and taxes were imposed on those who exceeded these limits. Some outright parity price payments were made when the money was specifically authorized by Congress.

Farm prices increased. Yet by 1940 they were still only 81 percent of parity. And despite acreage reduction plans, total farm production was 10 percent larger in 1939 than in 1929.

But World War II soon changed the picture for the farmer. Farm production and acreage increased rapidly, and farmers reached new levels of prosperity by the end of the war. The early postwar years, however, saw another drop in income.

The government, which had originally planned to end the 90 percent parity supports two years after the war ended, continued them for ten

years. Even today, it is still necessary for the government to continue to subsidize American farmers -- chiefly through acreage controls.

Although the first AAA itself was short-lived, the agency was the forerunner of long-term aid to American farms.

Questions for Conversation

1. Why was the AAA declared unconstitutional?

2. Would it be unconstitutional to tax cigarette manufacturers to support research on lung cancer? Would it be unconstitutional to tax liquor distributors to help rehabilitate alcoholics? How are these situations similar to or different from the situation with the AAA?

Persisting Questions of History

Influencing Occupational Mobility and Stability. The government's purpose in establishing a system of crop control and subsidizing the farmer was to keep him from leaving the farm. If the farmer voluntarily restricted his production (which required less work and use of resources), the government would guarantee him a minimum price for crops and a minimum income. If many of the farmers had been forced off the land, how would this have affected the price of farm products and the income of remaining farmers? Would a policy of allowing market forces to work have been preferable to intervention by the government?

Evaluating an Analogy. Supose that a successful and practical electric car is developed. The giant automobile companies convert to the manufacture of the new electric cars, and there is a revolution in the fuel industry. The demand for oil declines drastically. Most cars are fueled by metered electric outlets conveniently placed in private homes and parking garages, although commercial trucks over one ton still use internal combustion engines. There is a surplus of gas stations and gasoline.

The petroleum refineries say it would be dangerous to disassemble the refineries and put gas stations out of business; the new cars are not fully proven, and gas stations are still needed for trucks. Moreover, they argue that the small businessperson who runs the gas station is an American institution. If these stations go out of business, thousands of people would have to be relocated and reeducated.

The government responds by paying oil companies not to pump oil, because there is a large surplus. The government also builds storage facilities and purchases surplus gasoline that the companies could not sell to private customers. The government further pays small service station operators a subsidy to assure their staying in business.

- If you were in Congress dealing with this issue, would you vote for subsidies to oil companies and gas station operators?
- If you were in Congress in 1933, would you have voted for subsidies for farmers?
- In what ways are the two situations similar or different?

The Federal Emergency Relief Administration

In Roosevelt's first month in office there were more unemployed persons in the United States than there had ever been before. Perhaps 15 million unemployed (no one knew exactly how many) stood in breadlines; shuffled aimlessly through city streets; or huddled in shelters. The idled workers looked everywhere for work to provide the necessities of life for themselves and their families.

In the White House sat one of the few people in the country with experience in large-scale relief programs. As Governor of New York, Franklin Roosevelt had been responsible for setting up a Temporary Emergency Relief Administration in 1931. Now he faced the need for a similar organization on a national scale.

During President Roosevelt's first "Hundred Days," Congress passed the Federal Emergency Relief Administration (FERA) and authorized the spending of $500 million on relief. The President appointed Harry Hopkins as relief administrator.

The new administrator, who had won his spurs as director of emergency relief in New York State, plunged into handling the same problem for the nation. With his desk in a hallway, Hopkins started work and spent some $5 million in two hours. During the following weeks he impatiently brushed aside the objections of those who felt that he moved too fast. Hungry people needed immediate relief.

Lorena Hickok, a journalist, became Hopkins' chief investigator. She traveled around the country, sending her reports to Hopkins in a series of letters. Below is an excerpt from one of those letters.

* * * * *

To Harry L. Hopkins

[Bismarck, N.D.]
Friday Night, November 3rd [1933]

Dear Mr. Hopkins:

I've been occupied these last two days entirely with our own show, and I'm pretty low in my mind.

I've seen nothing, heard nothing save the desperate need for things to keep people warm up here in this ghastly climate – bedding, fuel, clothing. And today, as if it wasn't bad enough already, there's been a blizzard.

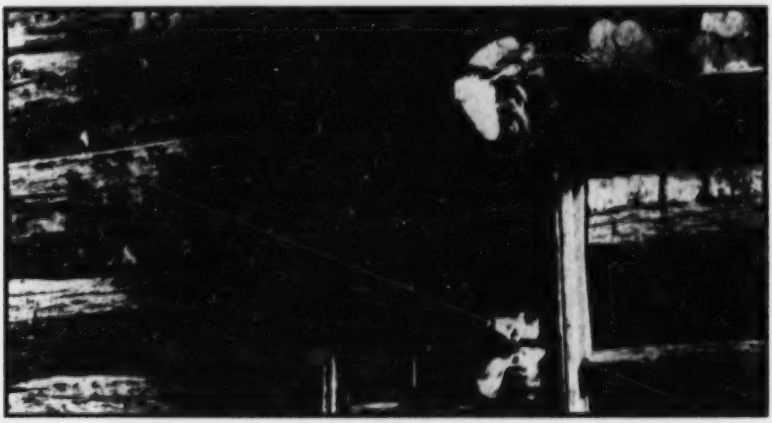
Yesterday I spent in Bottineau, 12 miles or so from the Canadian border, one of the most badly hit counties in the state. Back in Bismarck today, I've been trying to find out why nothing was done to meet this emergency – although they MUST have seen it coming – until the emergency itself arrived.

Although Judge Christianson, Chairman of the state relief committee, tells me that he has written asking for more money – $360,000 for November, he said – and that Governor [William] Langer was to see you about it in Washington today or tomorrow, I cannot understand why he didn't get busy about it before. And I get the impression that neither he nor John Williams, the executive director, nor any of the committee with the exception of Mrs. Minnie D. Craig...know just how bad it is. I find them rather like the people in Maine, inclined still to think there is something wrong with a man who cannot make a living. They talk so much about "the undeserving" and "the bums." No doubt expert investigators could reduce the rolls here in North Dakota, but, damn it – people are suffering from cold in this state RIGHT NOW. Terribly. And I feel this is no time to be fussing about who should get relief and who shouldn't. They should have settled that a long time ago.

I find that they are now, at this late date, making an effort to get some clothing and bedding into the state. Miss [Pearl] Salsberry, their case supervisor – in charge of all the field staff and paid workers – is down in the Twin Cities now, trying to get some stuff from the Red Cross and the private agencies. She is also getting inventories of the surplus stocks of Montgomery Ward, J.C. Penney, and other similar outfits, hoping to be able to get a lot of stuff, cheap....

They say the Red Cross is holding back a lot of clothing throughout this area, and they are very bitter about it. The Red Cross people say they have to hang on to it, "to meet emergencies." Good God, I'd like to know what constitutes an emergency in the eyes of the old ladies who seem to be running the Red Cross! Up in Bottineau last night, the head of the Red Cross committee, who is also a member of the Emergency

From One Third of a Nation, edited by Richard Lowitt and Maurine Beasley (Urbana, IL: University of Illinois Press, 1981), pp. 67-70



Relief committee, proudly showed me her storeroom, which she keeps padlocked. Yards and yards of outing flannel, cartons of quilts and blankets, piles of stockings, sweaters, underwear. True, as much as she has, it would only be a "drop in the bucket," but it would help. Miss Salsberry shipped a couple of hundred blankets in there yesterday that she had bought from Montgomery Ward for $1 apiece. They were almost afraid to start giving them out, lest it cause a riot! Miss Salsberry also has written Red Cross headquarters in St. Louis, asking them to release their stuff.

I'll try to get you an idea of what Bottineau is like. It is said to be the worst county in the state. They haven't had a decent crop there in something like four years. Last summer the grasshoppers ate up just about everything.

The most urgent and immediate needs are clothing, bedding, and fuel. Those people haven't been able to buy a thing for four years.

Their houses have gone to ruins. No repairs for years. Their furniture, dishes, cooking utensils – no replacement in years. No bed linen. And quilts and blankets all gone. A year ago their clothing was in rags. This year they hardly have rags.

Always the plea is the same – for bedding and clothes.

Yesterday I visited one of the "better-off" families on relief. In what was once a house I found two small boys, about two and four years old,

running about without a stitch on save some ragged overalls. No stockings or shoes. Their feet were purple with cold.

You could see light under the door in that house. The kitchen floor was so patched up—with pieces of tin, can covers, a wash boiler cover, old automobile license plates—that you couldn't tell what it might have looked like originally. Plaster falling off the walls. Newspapers stuffed in the cracks around the windows.

The mother of those children—bare-legged, although she wore some sneakers on her feet—is going to have another baby in January. IN THAT HOUSE. When she diffidently asked the investigator who was with me for assurance that a doctor would be on hand to see her through her confinement, I could hardly bear it.

The investigator asked to see her bedding. She hesitated for a moment. Then led us upstairs. One iron bedstead. A filthy, ragged mattress, some dirty pillows—her bed linen, she said, all gave out more than a year ago—and a few old rags of blankets. Incidentally I heard yesterday of women having babies on beds with only coats thrown over them.

"Do you and your husband and the children all sleep in this bed?" the investigator asked.

"We have to," she replied simply, "to keep warm."

It was 5 degrees above zero in Bottineau county yesterday. Today they were having a blizzard up there. Last winter—and there was nothing unusual about it, I was told—the temperature went down to 40 degrees below zero and stayed there 10 days while a 60-mile wind howled down across the prairies from the Northwest.

In Bottineau I sat down with the relief committee last night, and we tried to figure out what their bedding, clothing, and fuel needs for the winter would be.

There are now in Bottineau county 800 families on relief. There are 50 more applications that have been passed on favorably, but those 50 families can't get any relief until they get some money. They had spent their last cent the day before I arrived and didn't know when they were going to get any more or how much. New applications are coming in there at the rate of from a dozen to 25 a day. The relief office in a little

stone building on the wide, wind-swept Main street of the town was jammed all day yesterday.

Out of 196 families in one township, all are on the relief rolls save one. In another township there are only two families not on relief.

These are some of the things they need in Bottineau county right now:

Three thousand suits of overalls or play suits for children; 5,000 suits of underwear, for children and adults; 5,000 pairs of stockings and socks; 500 jackets or coats for children; 2,000 pairs of overshoes for adults and children; 5,000 shirts for men and boys; 20,000 yards of wash dress material—woolens would be better, but they haven't got the nerve to ask for them; 40,000 yards of flannelette for nightgowns, slips, and bloomers; 1,500 heavy quilts; 1,000 blankets. At the retail prices up there, it all amounts to about $35,000. The stuff could be bought much more cheaply, of course, on contract.

The fuel need in that county is desperate. They have very little wood to burn in this state, you know. It's all coal. It's mined right here in the state, but in Bottineau—because of freight rates and a rise in price attributed to NRA—it now costs $4 a ton. They say they're going to need 10,000 tons in that county this winter. They need flour, too—84,000 pounds of it!

And all these things they need AT ONCE. Winter has arrived up there.

They're managing to skimp along some way on food. How adequately you can judge by the statement made by one man on relief to the case supervisor—"We haven't had a scrap of meat in our house for six months."

There. That just about describes Bottineau county, I guess.

Lorena Hickok

Persisting Questions of History

"Deserving" Relief. In her letter to Hopkins, Lorena Hickock said that the state relief committee members "think there is something wrong with a man who cannot make a living." The members referred to people on relief as "undeserving" and "bums." What values underlie such feelings about people who lack adequate food, clothing, and shelter and when public assistance should be given? How did Hickock's values differ from those of the committee members?

What do you think the cartoonist's attitude toward people needing relief was? Draw a cartoon showing Hickock and officials in South Dakota arguing over this question.

Developing Policy. Imagine that you and four of your classmates have been appointed as a committee in charge of providing relief to the homeless. Before any assistance can actually be provided, your committee must decide what criteria a homeless family or person must meet in order to receive aid. Work with your classmates to develop a policy. When your group agrees on criteria, prepare a statement for the press explaining the policy. In preparing the statement, you may want to think about the values underlying your group's decisions. Facts that support your position should be included in your statement.

Business: The NRA

In an effort to provide long-term improvements in economic conditions, Congress in June 1933 passed the National Industrial Recovery Act. Immediately after signing the bill into law, President Roosevelt created a National Recovery Administration (NRA) to carry out the bill's purposes. One goal of the new agency was to raise prices to a profitable level by limiting production, since prices tend to go up as goods become more scarce. Another goal was to guarantee to labor reasonable hours of work and decent wages.

The agency's primary tactic was to obtain the adoption of hours and wages codes by all branches of industry and business. The terms of the codes were to be worked out by committees with representatives from management, labor, and the public.

The two readings below explain more about the reasons for and workings of the NRA. As you read them, look for ways in which government leaders justified a greater role for government in regulating the economy.

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Roosevelt on the NRA

In July 1933, during one of his famous "fireside chats" over the radio, the President explained to the nation how the NRA was functioning.

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The proposition is simply this:

If all employers will act together to shorten hours and raise wages we can put people back to work. No employer will suffer, because the relative level of competitive cost will advance by the same amount for all. But if any considerable group should lag or shirk, this great opportunity will pass us by and we will go into another desperate winter. This must not happen.

We have sent out to all employers an agreement which is the result of weeks of consultation. This blanket agreement carries the unanimous approval of the three boards which I have appointed to advise in this,

boards representing the great leaders in labor, in industry, and in social service. The agreement has already brought a flood of approval from every state, and from so wide a cross-section of the common calling of industry that I know it is fair for all. It is a plan – deliberate, reasonable, and just – intended to put into effect at once the most important of the broad principles which are being established, industry by industry, through codes. Naturally, it takes a good deal of organizing....

The essence of the plan is a universal limitation of hours of work per week for any individual by common consent, and a universal payment of wages above a minimum, also by common consent.

Questions for Conversation

1. What did Roosevelt mean by "the relative level of competitive cost"? Why was this an important factor?

2. What points did Roosevelt make to convince businesspeople and the public that the NRA codes should be obeyed?

Blue Eagle to Sick Chicken

Automobiles, textiles, lumber, coal, shipbuilding, laundry and dry-cleaning, dog food, pecan shelling, barber shops, flexible metal hose and tubing – these were only a few of the hundreds of industries and enterprises that sent draft codes to the NRA. Between the summer of 1933 and early 1935, the NRA approved 557 basic codes and more than 200 supplementary codes.

While many believed the NRA was succeeding, it was the object of criticism, as well. Both its successes and the criticisms are described in the reading below.

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The chief administrator of the NRA in Washington was one of Roosevelt's brain trusters, General Hugh Johnson. Johnson had grown up with the Army; he was tough and sentimental at the same time – and smart enough for the Army to have sent him to law school.

After World War I, Johnson retired from active service and became an official of a plow company. Then he moved into bigger business circles, finally becoming the administrator of hundreds of codes, coordinating production, price, and employment activities in virtually every in-

dustry in the country – industries that employed more than 20 million workers. Since the NRA had a legal life of only two years – from June 1933 to June 1935 – General Johnson and his assistants had to work fast.

The NRA's program seemed successful. Merchants throughout the country pasted the Blue Eagle – the symbol of compliance with NRA codes – on their windows and products. Newspapers and magazines reprinted the emblems on the corners of their front pages. Speakers, motorcades, mass meetings, and brass bands proclaimed to all Americans their patriotic duty to adopt and honor the symbol of economic recovery.

As the code provisions went into effect, letters began to pour into the NRA offices – many of them laboriously pencilled notes. A woman factory worker in a large industrial city wrote:

> Before the New Deal came into effect we was compelled to work 15 hours of each day during the rush and no overtime and fired if you get a [union] card. Now we got our union and we got our decent work-week and we got more girls working here and we got better wages.

According to the U.S. Bureau of Labor Statistics, wages increased by 33.5 percent beteen June 1933 and December 1934. At the same time, production increased by 20 percent and employment rose by 16 percent. As for the earnings of business, the NRA's Research and Planning Division reported that a selected group of 639 corporations had increased their net earnings by 519 percent between 1932 and 1934.

But despite these indications that it was succeeding, the NRA became the object of increasing criticism. Small businessmen and manufacturers complained about codes that, they said, were written and administered by big business in order to benefit only big business. Many consumers grew increasingly angry at what they considered to be unfairly high prices; they blamed the NRA codes for encouraging businesses to keep prices and profits up and to keep production down.

Within the NRA itself, there was bitter disagreement. Some staff members argued that the program had failed because businesses had virtually taken over the program and were using it to build up monopolies and enormous profits. Others, agreeing with representatives of labor unions, looked only at the other side. Wages had gone up and they intended to keep them that way. Unemployment, which reached a peak in 1933, slowly began to decline.

Economists, looking at the progress being made in recovering from the depression, were divided on whether the NRA was a real help to the economy. By keeping production limited and prices high, there were not as many jobs for the unemployed as there might otherwise be, and people couldn't afford to buy many of the goods. Maybe it would be better, they thought, to return to a completely competitive system.

In March 1935, *The New York Times* observed: "The friends of NRA are halfhearted. They are like people who have a tired bear by the tail and are not sure whether it is safe to let go or not." But President Roosevelt spoke in unmistakably firm words when he asked Congress for a two-year extension of the Recovery Act. "The fundamental purposes and principles of the Act are sound," he asserted. "To abandon them is unthinkable. It would spell the return of industrial and labor chaos."

It is hard to say whether industrial and labor chaos were really prevented by the NRA. In any event, there was no need to discuss the problem in practical terms again, for in May 1935, the Supreme Court handed down a landmark decision.

The case before the Supreme Court involved the four Schechter brothers – Joseph, Alex, Martin, and Aaron – who operated A.L.A. Schechter Company and the Schechter Live Poultry Market, Inc., in Brooklyn, New York. The brothers competed against other poultry wholesalers in the booming New York marketplace – the poultry center of the country.

Along with their competitors, the Schechters displayed the NRA Blue Eagle, for which they had promised to obey a code that regulated working hours and wages, outlawed the selling of diseased fowl, and required that birds be sold by the coopful rather than singly.

But the Schechters were soon accused of flouting NRA regulations. Their worst offense was to sell large quantities of sick chickens to the

people of Brooklyn. In addition, they had reportedly been committing enough other offenses so that they were indicted on 60 separate counts.

Government lawyers described how one of their agents followed a Schechter delivery truck to a retail shop and there bought a diseased chicken that had just arrived. Sale of sick chickens in Brooklyn would affect interstate commerce (which the federal government can regulate), it was argued, because a housewife buying such a chicken would tend to switch to other foods and persuade her friends to do the same. The cumulative effect would tend to hurt the flow of interstate commerce in poultry.

The brothers were found guilty on 17 counts and sentenced to from one to three months in jail. Lawyers for the convicted men appealed the sentence to the Supreme Court on the following grounds:

- The NRA violated the traditional American doctrine of separation of powers. Congress had, in effect, turned over its lawmaking authority to the executive branch by allowing it to draw up the details of codes that had the effect of law.
- The poultry business was a local business that did not affect interstate commerce. The Schechters bought most of their poultry, and sold all of it, right in New York state. Congress had the power to regulate only interstate – not intrastate – commerce.

The Court agreed with these arguments. *Schechter v. United States*, popularly known as the "Sick Chicken Case," was decided unanimously against the government. The Court said that if *everything* that had *any* effect on interstate commerce could be regulated, "there would be virtually no limit to federal power." Within a short time after the decision, May 27, 1935 – about a month before the NRA would have expired – the innumerable code authorities across the nation ceased their operations. They packed and sealed their records; they dismissed their staffs. The most innovative and massive governmental experiment affecting the competitive economy in America had come to an end.

Questions for Conversation

1. What were the goals of the NRA? What methods were used to achieve the goals?

2. In what ways did the Schechter brothers violate the NRA code? On what grounds did the Supreme Court decide the Schechter case?

Persisting Questions of History

Defining Free Enterprise. It has often been charged that the NRA violated the free enterprise system and therefore went against the American economic tradition. Do you think this is true? Why or why not? In supporting your answer, develop criteria to define *free enterprise*, and see to what extent the NRA was inconsistent with your definition. Is a large electric utility or cable television company an example of free enterprise?

Free Enterprise in the Schools? One of the major purposes of the NRA was to establish standard prices and quality for certain products, as well as standard wages and working conditions. This was done through planning by businesses within an industry. Except for the fact that it is a public service within a single community, schools are organized along lines similar to those set up by the NRA. Teachers are usually on a common salary schedule (all teachers with the same education and experience make approximately the same amount of money). Teaching workloads are established through planning and negotation between teachers and administrators.

Imagine a school in which the principles of free enterprise would be followed. The parents of students would be allowed to bid for the teachers they wanted their children to have. Very popular teachers would make a great deal of money; unpopular or dull teachers would make much less money. Parents who could afford to bid the highest could get the teachers they wanted for their children; poor parents would have much less to say in the selection of their children's teachers. Very popular teachers might bargain to teach only two or three classes, while less popular teachers might have to teach more.

What do you consider the strengths and weaknesses of the "free enterprise" approach to school as opposed to the "planning" or NRA approach?

Would you say that medical doctors are organized on the "free enterprise" system or the NRA system. Why?

Which businesses or professions would be best organized under free enterprise and which would be best organized under the NRA system? Why?

The WPA: Aid to the Unemployed

In April 1935, the federal government consolidated and enlarged the relief and employment programs and established the Works Progress Administration, the WPA. Direct relief – welfare payments to people who, due to age, illness, or complete absence of jobs did not work for the money – was transferred to states and communities.

The WPA kept under national control the different employment programs. Eighty-five percent of the several billion dollars appropriated in 1935 went directly for salaries and wages. Job classifications, wage rates, maximum hours of employment, and other standards were worked out in an attempt to allocate the money fairly.

But with millions of people to employ and thousands of projects to approve, it was natural that politics got mixed up with some of the WPA programs. In an off-the-record comment, Harry Hopkins explained the WPA program as a cycle to keep the Democrats in office: "tax and tax; spend and spend; elect and elect."

Critics attacked the WPA with a vengeance. They said that people who did not really need the jobs were getting them, that the entire program was not so much to combat poverty as to insure the reelection of the Democrats, and that, even if there was nothing wrong with WPA as a concept, it was a bureaucracy of unimaginable red tape on the local level, full of senseless regulations, disorganized, and frustrating to the people who needed its aid.

Joe Jackson had been an electrician in the 1920s. In the early 1930s, he operated the projector at the Cremona Movie Theater. But by 1936, he was out of work. After seeing a headline in the newspaper saying that the WPA needed electricians, Joe reported to the WPA office. Here is what happened next.

* * * * * *

Most of the people crowded on the benches that filled the lobby of the old bank building were men and so were the guards who paced the narrow lanes between them. But through the bars of what had been the tellers' windows Joe saw women sitting behind the desks and talking to

From Workers on Relief, by Grace Adams (New Haven, CT: Yale University Press, 1939).

those who stood in line to reach them. This disconcerted him, for never before in all his experience had he ever sought a job from a woman.

When he told one of the women about his job at the Cremona, she said "Well, Mr. Jackson, apparently the showing of motion pictures is one form of entertainment that our Government has not yet seen fit to add to its program of good works, though no doubt it will do so as soon as the idea occurs to some of our betters in Washington. In the meanwhile, you will probably have to accustom yourself to a more utilitarian position." She was laughing when she said this so Joe knew she meant it for a joke. After that it was easy for him to tell her about how badly he needed work and how skilled he was.

"An electrician, did you say" the lady asked. Joe had decided from the little sign on her desk that her name was Mrs. Collins. "Then I certainly can't understand why you haven't been put to work. How long have you been on relief?"

"Relief!" Joe repeated. "Why I haven't ever been on relief...I just read in the paper that the Government needed electricians and that this was the place to ask about the jobs."

"But you have to be on relief," Mrs. Collins said. "Your eligibility for a WPA job has to be certified by your local relief bureau. The main purpose of the WPA is to give work to those who are already receiving home relief, to let them have a chance to work for a living again."

"I'll tell you this much, Mr. Jackson," she was saying, "and I hope it will cheer you a little. There has been a rumor in this office for the past week – just a rumor, you understand, nothing official – that the WPA needs skilled mechanics so badly that it is preparing to draft them from the New York State Employment Service....The best thing for you to do is to go over to Lexington Avenue and register with the State Employment Service as soon as you leave here...."

Joe went straight to the Employment Service and asked to register. The man behind the counter shoved a card to him and Joe began to fill it out. "Not here," the man said. "Take it home and mail it in."

[After waiting a week without hearing from the employment office, Joe returned. He was once more urged to go on relief in order to receive preference for a WPA job. With great reluctance, he followed this advice.

Weeks passed, and Joe heard nothing, though he read in the newspaper about the thousands who were being put to work by the WPA.]

And then in the middle of December Joe did find a card from the relief office in his mailbox. It told him to report to Mr. Dickinson in the employment office at 9:00 the next morning...

Joe was at the relief station by 8:00, because he figured that if they gave him his working papers that morning, he might get in at least a half day's work by closing time.

At 20 minutes after three he was called into the employment office and a weary, worried-looking Mr. Dickinson asked Joe the very same questions that a different man had asked him in the same office more than six weeks before.

"Now, let's see," Mr. Dickinson said. "Where did you say was the last place you worked....Theater, did you say?" Mr. Dickinson asked, and for the first time he looked squarely at Joe. "Theater," he repeated, "that's good. I think I may have something for you soon. The Federal Theater, that's a WPA art project you know, is taking on people with theatrical experience as fast as they can get them. I don't believe we've got a theater requisition here in the office right now, but if you'll just wait outside, I'll call uptown and see what is open."

Joe was still waiting when the relief office closed that evening, but Mr. Dickinson saw him there as he was leaving and told him to be back at 9:00 the next morning.

Joe was there promptly at 9:00, and this time he got into Mr. Dickinson's office a few minutes before noon. Mr. Dickinson was phoning. When he had finished, he said to Joe, "You're the actor, aren't you? Well, I think I'll have something for you soon. Still haven't a theater requisition but some other white collar requisitions have come in today that might suit you just as well. Just wait outside until I send for you."

Until he was again admitted to the employment office at 2:30 that afternoon, Joe worried over the actor business. Mr. Dickinson greeted him almost happily this time. "I have something for you now," he told Joe.

"But you see..." Joe said. His face was red and he felt sort of foolish, but he knew he'd have to put Mr. Dickinson right. "I ain't an actor. The Cremona was a movie house and my job was..."

"Well, that's fine," Mr. Dickinson said, "so much the better. This isn't an acting job that I have for you. It's a requisition from the Board of Education....I don't know just what you'll have to do - 'Counselor' the requisition says - but it'll pay you about $22 a week and that's fine for a WPA job, you know. It'll be too late for you to go there today but you take this note to Mr. Anderson at this address at 9:00 tomorrow morning and he'll fix you up right away."

[The next day, Joe was referred to a long series of people, often with directions that made no sense or were incomplete. When he finally had all the necessary paperwork done, the job had already been filled. He went through the same procedure again three weeks later.]

...then at 17 minutes past 2:00, four weeks after he had been notified that a WPA job was ready for him, three months after he had first sought such a job, Joe was given a small, flimsy piece of paper on which was written his name and his project assignment number.

"You are assigned to PS 720 on Staten Island - an excellent job location," said Mr. Kline when Joe returned to his office....

Although it took him two hours to get there, and he got lost several times on the way, Joe was standing before PS 720 when the school-children began to file in the next morning. After he had stood in front of the school for half an hour, some men joined him there and after an hour, some women. Most of the newcomers seemed to know each other and Joe heard them talking about transfers and job locations and fiscal periods and requisitions and investigations.

By 11:00 - that's the time someone said it was, Joe's watch was still in pawn - seven women and 11 men had gathered in front of PS 720. Five minutes later a young girl, a real pretty kid who looked to Joe as though she might be about 21 or 22 - walked briskly down the street and smiled brightly at the waiting group. "I suppose you are my teachers and counselors," she said. "I'm your head teacher. I had to go back to the field office for subway tickets; that's why I'm a few minutes late."

There was a frown on Miss Sokoloff's forehead after she spoke to someone in the school. "They hadn't been notified that this was to be

our job location," she said, "and they haven't any place for us. But they say we can use the teachers' washroom for an hour. Come with me and file in quietly."

Joe and the other men looked sheepishly at one another, but they, like the women, followed Miss Sokoloff up to the fourth floor and into the washroom. There Miss Sokoloff produced the first WPA time sheet that Joe had ever seen. "Sign 'in field nine hours,'" she said. "We're still making up time for Christmas vacation."

Miss Sokoloff's expression became grave. She took a sheet of paper from a large briefcase, read it attentively for a few minutes, then began to declaim in a high stilted voice:

"This project, like all WPA projects, is undertaken for the benefit of the public. The public has ordered it and through their taxes paid for it. And it is our duty to give the public the very best that is in us by working industriously, honestly, and efficiently. We want to keep this one of the best service projects in the city."

Finally, Miss Sokoloff laid aside her typewritten sheet and for the first time that morning began to talk in a natural voice. "And when you go after the teachers, you've got to convince them that what we're doing is worthwhile. We can't afford to take 'no' for an answer. If we can't get the kids, the whole thing will blow up, and you know it. That's all for today. Now we will file out quietly."

As Joe stopped with some of the men to have beer near the ferryhouse, he learned to his amazement that although he had received no money, except his home relief allowance, for all the long days he had waited in the WPA offices, the United States Government was going to pay him more than $6 for standing in the teachers' washroom of PS 720 for 45 minutes that morning....

And what does Joe Jackson, who once operated the projector at the Cremona theater and before that was a darn good electrician, now do for a living?

Almost any weekday, a person walking about New York – especially in the vicinity of museums and zoos but also in factory districts – is likely to have his attention arrested by a long line of children strolling in pairs. Toward the rear of the line are one or two women and at its head a solitary man. When this man comes to a street intersection, he motions

for the children behind him to halt until the traffic changes. Then he raises his hand in a gesture that invites them to follow him across the street. He does this at every intersection until he reaches a subway entrance. There he herds his charges down the stairs, into a train, and back to the school they left several hours before to visit some interesting or educational wonder of Greater New York.

The WPA also supported artists like the one who created this painting.

Persisting Questions of History

Bureaucracy and the WPA. What were some of the difficulties Joe encountered in finding a job with the WPA? In Joe's case, did the WPA follow its own edict to "give the public the very best that is in us by working industriously, honestly, and efficiently"? Support your answers.

Evaluating Bureaucracy. The bureaucracy – the offices of the executive branch – makes many decisions that directly affect people's lives. A study showed that an average of 20 regulations are written for each federal law passed. More than 50,000 pages of regulations are issued by federal agencies every year. These regulations become part of federal policy. What advantages and disadvantages do you see of the bureaucracy making policy in this way?

Planning a Work Program for the 1990s. Despite the difficulties and criticisms, the WPA did achieve some success, although that was difficult to measure in economic terms. Today, some people suggest that a similar program would be a good way to keep unemployed people—especially young people—busy, while doing necessary work. The following is a list of WPA projects in Iowa in 1936:

- Instruct school children in traffic safety in a campaign to prevent loss of life from automobiles.
- In school library and office assistance.
- Instruct grade school children in a safety program and supervise skating rinks.
- Repair and index public school library books. Refinish school furniture. Grade and cinder athletic field. Make repairs in school buildings and playgrounds.
- Develop recreational leadership. Supervise boys and girls club work, directing recreational and handicraft projects.
- Assist in clerical work (filing and typing) in government offices.
- Spread knowledge of better farming, sanitation, and health practices in rural communities.
- Work as a library assistant.

Make a list of work that could be done in the 1990s. What would be the advantages and disadvantages of having unemployed young people do this work? What kind of compensation should they be offered—free college tuition, minimum wage, below minimum wage, or some other option?

Analyzing Discrimination. Some cities and states discriminated against blacks in administering their relief programs, both by making it more difficult for black families to get relief and by giving these families smaller relief payments than whites received.

Charges of discrimination in hiring and in funding WPA projects were also common. The following letter, written on January 14, 1936, described the experience of a young black woman in Des Moines, Iowa.

Dear Mr. President:

> I am writing you in regards of the W.P.A. situation in Des Moines concerning the Negroes.
>
> There has been nothing done in regards to giving the Negro women work as supervisors of Negro projects.

Another lady and myself ask for a recreational project for Negroes; it met the approval of Miss Kreig who has charge of the City playgrounds.

Mrs. Ann Chatterton who is Polk County chief of the women's division approved of it and we have proved our capabilities.

But Mr. Allen who writes the projects has put us off since Oct. He very nicely tell us it will be two weeks before the project returns from Washington. Now this has been going on since Oct. Now Mr. Allen is saying that it is getting late for projects. We have decided Mr. Allen is not carrying out your program to help everyone and that includes Negroes. We are registered Dem. and while the WPA is for all, we feel that we should be put to work. While we were not on relief, we should have been....

My father is quite old. He was struck by a car and now he really isn't able to work – he is still trying. His wrist was broken and his leg hurt in the accident – that happened Dec. 20th – he only earns $35.00 a month.

Our home is in the Home Owners' Loan – we are back $120.00 in our payments. Next month we will have to pay $15.00 a month. I have no work and I don't want my folks to lose their home – it is all we have and I am willing to take care of my father and pay on our home if they will give me work.

I listened to your address over the radio Jan. 3rd – you said we must advance and not retreat. I want to advance – that is why I am appealing to you so that you may tell me how I may obtain work in order to keep our home...

Ardella Watkins

How did Ms. Watkins support her argument regarding blacks and the WPA? Do you think her argument is effective? If you had been President Roosevelt, how would you have responded to this and similar letters?

The Social Security Act

Among the hardest hit by the depression were the elderly. As historian Arthur Schlesinger, Jr., described their situation, "They were more likely to be sick or disabled than younger people. Where jobs existed, they had far less chance of getting them. In nearly half the states there was no system of old-age pensions; in the rest...pensions were hopelessly inadequate."

The Roosevelt administration's response to the problems of the elderly was what has been called the "most revolutionary of all the New Deal undertakings"—passage of the Social Security Act in 1935. Secretary of Labor Francis Perkins described the act in a radio speech broadcast on September 2 of that year.

* * * * *

People who work for a living in the United States of America can join with all other good citizens on this forty-eighth anniversary of Labor Day in satisfaction that the Congress has passed the Social Security Act. This act establishes unemployment insurance as a substitute for haphazard methods of assistance in periods when men and women willing and able to work are without jobs. It provides for old age pensions which mark great progress over the measures upon which we have hitherto depended in caring for those who have been unable to provide for the years when they no longer can work. It also provides security for dependent and crippled children, mothers, the indigent disabled and the blind....

Consider for a moment those portions of the Act which, while they will not be effective this present year, yet will exert a profound and far-reaching effect upon millions of citizens. I refer to the provision for a system of old-age benefits supported by the contributions of employer and employees, and to the section which sets up the initial machinery for unemployment insurance.

Old-age benefits in the form of monthly payments are to be paid to individuals who have worked and contributed to the insurance fund in direct proportion to the total wages earned by such individuals in the course of their employment subsequent to 1936. The minimum monthly payment is to be $10, the maximum $85. These payments will begin in the year 1942 and will be to those who have worked and contributed....

This vast system of old-age benefits requires contributions both by employer and employee, each to contribute 3 percent of the total wage paid to the employee. This tax, collected by the Bureau of Internal Revenue, will be graduated, from 1 percent in 1937 to the maximum of 3 percent in 1939 and thereafter. That is, on [a] man's average income of $100 a month he will pay to the usual fund $3 a month and his employer will also pay the same amount over his working years.

In conjunction with the system of old-age benefits, the Act recognizes that unemployment insurance is an integral part of any plan for the economic security of millions of gainfully employed workers. It provides for a plan of co-operative Federal-State action by which a State may enact an insurance system, compatible with Federal requirements and best suited to its individual needs.

The Federal government attempts to promote and effectuate these State systems, by levying a uniform Federal pay-roll tax of 3 percent on employers employing eight or more workers, with the proviso that an employer who contributes to a State unemployment compensation system will receive a credit of 90 percent of this Federal tax. After 1937, additional credit is also allowable to any employer who, because of favorable employment experience or adequate reserves, is permitted by the State to reduce his payments....

Federal legislation was framed in the thought that the attack upon the problems of insecurity should be a cooperative venture participated in by both the Federal and State Governments, preserving the benefits of local administration and national leadership. It was thought unwise to have the Federal Government decide all questions of policy and dictate completely what the States should do. Only very necessary minimum standards are included in the Federal measure leaving wide latitude to the States....

The social security measure looks primarily to the future and is only a part of the administration's plan to promote sound and stable economic life. We cannot think of it as disassociated from the Government's program to save the homes, the farms, the businesses and banks of the Nation, and especially must we consider it a companion measure to the Works Relief Act which does undertake to provide immediate increase in employment and corresponding stimulation to private industry by purchase of supplies.

While it is not anticipated as a complete remedy for the abnormal conditions confronting us at the present time, it is designed to afford protection for the individual against future major economic vicissitudes....

Our social security program will be a vital force working against the recurrence of severe depressions in the future. We can, as the principle of sustained purchasing power in hard times makes itself felt in every shop, store and mill, grow old without being haunted by the spectre of a poverty-ridden old age or of being a burden on our children....

The passage of this act with so few dissenting votes and with so much intelligent public support is deeply significant of the progress which the American people have made in thought in the social field and awareness of methods of using cooperation through government to overcome social hazards against which the individual alone is inadequate....

Persisting Questions of History

Financing Social Security. Some people have argued that making the federal government, rather than family members or the local community, responsible for care of the elderly has made it easier for the elderly to demand more. Consider the following facts. With benefits that increase regularly, new programs to be paid for, and healthier people living longer, demands on the Social Secuirty system are great. At the same time, there are fewer people working in comparison to the number who are retired. In 1970, for example, there were four working people for every retired person. By 1995, there will only be three. As the "Baby Boom" generation reaches retirement age, the problem will get worse. As a result, economists estimate that the Social Security payroll tax will have to increase from its current 15 percent to 25 percent by 2020 and 40 percent by 2050.

Do you think it is fair for young people to be asked to pay so much of their income to support retired people, many of whom are healthy and could still be working? Does the need to provide security for retired persons outweigh the working person's right to use his or her wages as desired? Do you think retired people would demand such a large contribution if they had to ask the young people directly for the support, rather than having the government act as a buffer?

Analyzing Arguments. In the 1936 election, Roosevelt faced Republican candidate Alf Landon. Campaigning for Landon, Herbert Hoover gave a speech describing why he rejected the kinds of programs that Roosevelt had implemented in the New Deal. Here is part of that speech:

> I rejected the notion of great trade monopolies and price-fixing through codes. That could only stifle the little business man by regimenting him under the big brother. That idea was born of certain American Big Business and grew up to be the NRA.
>
> I rejected the schemes of "economic planning" to regiment and coerce the farmer. That was born of a Roman despot 1,400 years ago and grew up into the AAA.
>
> I refused national plans to put the government into business in competition with its citizens. That was born of Karl Marx.
>
> I vetoed the idea of recovery through stupendous spending to prime the pump. That was born of a British professor.
>
> I threw out attempts to centralize relief in Washington for political and social experimentation. I defeated other plans to invade States' rights, to centralize power in Washington. Those ideas were born of American radicals.
>
> I stopped attempts at currency inflation and repudiation of government obligation. That was robbery of insurance policy holders, savings bank depositors, and wage-earners. That was born of the early Brain Trusters.
>
> I rejected all these things because they would not only delay recovery but because I knew that in the end they would shackle free men.

Why does Hoover refer to where each proposal was "born"? How might a "New Dealer" counter Hoover's statements? Write a response and deliver it to the class as a campaign speech.

Children of Poverty

The changes instituted by the New Deal were massive and long-lasting. Yet the problem of poverty in America persisted. In 1964, President Lyndon B. Johnson declared war on poverty, pointing to the one-fifth of all Americans who were still poor. Johnson proposed vast government programs of aid, education, and rehabilitation aimed specifically at the poor. But other economic problems (out-of-control inflation) and cutbacks by the Nixon and Ford administrations brought the war on poverty to an end ten years later.

Does poverty exist today? The answer must still be yes. As you read the following article on children living in poverty, try to decide who you think should be responsible for the economic well-being of the American children now living in poverty.

* * * * *

It is 9 a.m. on a November morning, and Terrence Quinn, principal of Public School 225 in Rockaway, Queens, New York, is serving breakfast. But he's not in the school cafeteria. He's in the lobby of a ramshackle welfare hotel where homeless parents and their children have come to seek shelter. With a social worker in tow, Quinn has cruised the hotel corridors, knocking on doors, inviting what is an ever-changing group of parents to share coffee and break bagels and doughnuts with him while he tries to persuade them to send their children to his elementary school six blocks – and a world – away.

Quinn first tried his pied piper approach to drawing poor children into his school in November 1988, and he repeats the effort periodically. His aim is to make the parents and children feel welcome in his school. Last spring, Jacqueline, a sixth-grader who had lived at the hotel, was selected as the school's valedictorian. One month before the official announcement, she entered Quinn's office and asked to speak to him in private.

"Can someone on welfare actually be the valedictorian?" she asked.

Quinn reassured Jacqueline, who has overcome many obstacles....

From "Special Report – Children of Poverty: The Status of 12 Million Young Americans," by Sally Reed and R. Craig Sautter, in Phi Delta Kappan 71, no. 10 (June 1990), K2-K7.

Jacqueline doesn't know it, but she's not alone. We've all been numbed by the horror stories we've heard of late – stories of homeless families sleeping in cars and of crack babies abandoned to hospital nurseries. Meanwhile, the mind-boggling statistics paint a dreadful picture of what life in this nation is like for far too many children....

War Without End

A generation after President Lyndon Johnson declared an official War on Poverty, nearly one-fifth of America's youngest citizens still grow up poor; often sick, hungry, and illiterate; and deprived of safe and adequate housing, of needed social services, and of special educational assistance....

The one front that has at least received sustained reinforcements since the War on Poverty was scaled back is the fight to improve the lot of the elderly poor. By 1990, 90 percent of the elderly poor were receiving significant benefits through Social Security cost-of-living adjustments, through housing assistance, through Medicaid, and through other federal and state safeguards.

As a result of this triumph of social policy for senior citizens, many child advocates, including educators and politicians, insist that we can do the same for our most vulnerable citizens, our children. This persistent band is finally making progress toward changing the way society treats youngsters who are the innocent victims of accidents of birth or family misfortune.

But the scale of the problem is overwhelming. Over the past 15 years the incidence of poverty among children has increased and become complicated in ways that portend catastrophic consequences, not only for the children themselves, but also for our schools, our economy, and our social well-being.

Since 1975 children have been poorer than any other age group. By 1989 young people accounted for 39.5 percent of America's poor. The official U.S. poverty rate for all citizens in 1989 edged slightly downward to 13.1 percent – only a 2 percent decline from the Johnson era. Yet in raw numbers more Americans are poor today than before the War on Poverty. Nearly 40 million people of all ages live in families with income levels below the official poverty line of $7,704 for a family of two, $9,435 for a family of three, and $12,092 for a family of four. The current poverty rate is higher than during the worst recession years of the 1970s.

Today's Issues

More than 12.6 million U.S. youngsters—nearly 20 percent of all children under the age of 18—are poor. Thus one in five American children goes to bed hungry or sick or cold. And when these children wake each day, they face little prospect that the economic plight of their families will improve enough to make their lives better.

And the future seems even grimmer. U.S. Secretary of Education Lauro Cavazos has estimated that, by the year 2000, "as many as one-third of our young people will be disadvantaged and at risk."

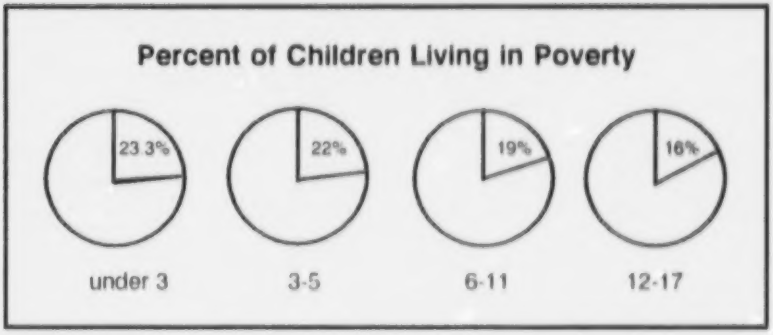
Some American youngsters will never even have the chance to see the turn of the century. As has happened in other wars, they will perish. More than 10,000 children in the U.S. die each year as a direct result of the poverty they endure. Often they die during the first weeks of their lives because simple and inexpensive prenatal health care was unavailable to their mothers.

The U.S. has the highest rate of child poverty among the industrialized nations, nearing three times that of most other economically advanced nations. Moreover, the Children's Defense Fund, a leading Washington-based child advocacy group, has sadly noted that only the U.S. and South Africa, among the advanced industrial nations, do not provide universal health coverage for children and pregnant women and do not provide child care to foster early development.

The Younger, the Poorer

And the picture gets worse. The younger a child is in America today, the greater are his or her chances of being poor. According to the U.S. Census Bureau, the Americans most likely of all to be poor are those age 3 and under. Officially, 23.3 percent of this age group are poor. During the early years so critical to development, nearly one-fourth of U.S. children lack medical, nutritional, and early-learning assistance. Thus many poor children are needlessly condemned to physical and psychological deficiencies for the rest of their lives.

Further down the road, the social cost of this neglect will almost certainly be extravagant. Physical and mental damage that could have been prevented by inexpensive prenatal checkups or by nutritional programs in early childhood haunts our society in expensive educational, medical, welfare, and correctional costs that can reach into the hundreds of thousands of dollars. For example, 11 percent of children end up in special education classes because of cognitive and developmental problems, many of which could have been prevented by prenatal care.



Children of poverty who make it through their earliest years relatively unscathed face new hardships later on. Nearly 22 percent of 3- to 5-year-olds are poor....the largest group of poor children ranges beween the ages of 6 and 11. More than four million of these children – 19.9 percent of the age group – continue to grow up in unremitting destitution.

Only as children enter their teenage years – and begin to confront a new set of social and biological problems – does the poverty rate actually dip. But even among young people between the ages of 12 and 17, more than 16 percent live below the poverty line....

These young people suffer not only the immediate physical and psychological damage of economic and social adversity; the long-term effects of their childhood deprivation and neglect also manifest themselves in a growing complex of social ills. One-fourth of young black men are reported to have trouble of some kind with correctional authorities. Illiteracy among poor dropouts is endemic. And the personal tragedy of broken homes and a future of perpetually low-paying jobs feeds young black men into the drug trade – and the morgue. The popular appeal of Jesse Jackson's slogan, "Up with Hope," demonstrates just how many young people are growing up in the hopelessness that poverty breeds.

Young Families, Poor Children

Then there is the matter of family circumstances. Almost 50 percent of all U.S. children living in a family headed by a person 25 years of age or younger are poor. One-third of all children living in a family headed by a person 30 years of age or younger are poor....

Likewise, if a child lives in a family headed by a woman, the chances are better than 50/50 that the child is poor. More than 56 percent of families headed by single black women are poor. The poverty rate for families headed by Hispanic women is 59 percent. Yet single-parent families do not necessarily cause poverty. Half of the nation's poor children live with both parents.

Contrary to popular perception, child poverty is not a phenomenon confined to the inner cities. Fewer than 9 percent of America's poor people live in the nation's core cities. The largest number of poor people still live in semi-isolation in towns and hamlets across the country. About 17 percent of these people are hidden in rural America. Just as in the inner cities, poverty rates in some rural areas have reached 50 percent and higher. And some rural regions have been poor for generations. Surprisingly, 28 percent of America's poor struggle amidst the affluence of suburban communities, shut out from most of the benefits that their neighbors enjoy....

Another inaccurate perception about poverty is that being poor is directly related to race. Two-thirds of poor Americans are white. The Children's Defense Fund calculates that one white child in seven is poor. However, the *rate* of poverty is considerably higher for minorities, who are fast becoming majority demographic groups in the 10 largest states....

The Flip Side of Prosperity

During the "get-rich-quick" decade of the 1980s, when the number of U.S. billionnaires quintupled, child poverty jumped by 23 percent. More than 2.1 million children tumbled into poverty as the stock market first soared, then plummeted, and finally rebounded. The bull market, with its leveraged buyouts, $325 billion savings-and-loan ripoffs, tax cuts for the wealthy, and junk bond scams, did little to drive up the value of children on the domestic agenda....

What makes matters worse is that the poor are getting poorer. According to the U.S. House of Representatives' Select Committee on Children, Youth, and Families, the income gap between families with the highest incomes and those with the lowest was wider in 1988 than in any year since 1947. The poorest 20 percent of families received less than 5 percent of the national income, while the wealthiest 20 percent received 44 percent, the largest share ever recorded. Maurice Zeitlin, a sociologist at the University of California, Los Angeles, recently concluded that the richest 1 percent of families own 42 percent of the net wealth of all U.S.

families—a staggering proportion that has changed little since the 19th century. This super-rich elite owns 20 percent of all real estate, 60 percent of all corporate stock, and 80 percent of family-owned trusts....

The vast and ongoing transformation of the U.S. economy from manufacturing to service jobs and from local to global markets has also harmed poor families. When the unemployment of the recession of the 1980s finally began to ease, many of the new jobs were service jobs that paid half as much as manufacturing jobs. According to Michael Sherraden, a professor at Washington University in St. Louis, "The overwhelming reality is that most new jobs being created today are very low-skilled service jobs with low pay and no benefits, not high-tech jobs."

Statistics from the U.S. Department of Labor show that, although the unemployment rate has fallen steadily since 1983, the poverty rate has remained high. Since 1983 unemployment has dropped by 4 percent. Meanwhile, the overall poverty rate has fallen only 2 percent—and has actually increased for children.

Working Harder, Getting Poorer

U.S. Census Bureau figures reveal that nearly half of the heads of all poor households are employed. In 1988 the proportion of poor heads of households who worked full-time increased by 1.8 percent. But that was accompanied by a decline in the average earnings of full-time male workers. A low minimum wage offers one explanation for this stubborn trend. For example, full-time work at the minimum wage by the head of a family of three leaves that family $2,500 below the poverty line.

In nearly 42 percent of poor households headed by females, the women are employed. About 10 percent work full-time, year-round. And 87 percent of poor children live in a family in which at least one person is employed at least part of the time. However, from 1979 to 1987 income for young families with children dropped by nearly 25 percent....

Some of the workers in poor families are children and teenagers. In 1989 the U.S. Department of Labor discovered 23,000 minors working in violation of the fair Labor Standards Act. In fact, child labor violations have doubled in the last five years. Most such violations have involved young teenagers working too many hours or under unsafe conditions. Unlike the sweatshops of the past, many violators of child labor laws today are hamburger joints and fast-food establishments. Many teenagers work long hours because they must do so in order to survive, not because they are trying to buy designer jeans or are exploring future

careers in food services. And, as teachers know, working often becomes a reason for classroom failure.

Cutbacks and Reductions

To add to an already bad situation, government cutbacks and the perpetual budget crisis have increased children's woes. The House Select Committee on Children, Youth, and Families found that, since 1970, the median grant through Aid to Families with Dependent Children (AFDC) has fallen 23 percent, from $471 to $361 in constant dollars. In 1987 AFDC reached only 56 percent of children in poverty, a lower proportion than in 1964...

According to the Center for the Study of Social Policy, AFDC benefits and food stamps for a family of four amounted to only 66.3 percent of the 1988 poverty line, down from 70.9 percent in 1980. Meanwhile, participation in the food stamp program has declined 14 percent since 1982.

At the same time, federal assistance for low-income housing tumbled 76 percent when adjusted for inflation. In a recent report from the Institute for Educational Leadership, Harold Hodgkinson concluded that many dropouts and school failures can be attributed directly to such basic factors as the high cost of housing that eats up most of a family's available and limited income. Children living on the edge of homelessness are prevented from finding the stability that usually makes successful schooling possible....

No Place to Call Home

Homeless children are one more distressing by-product of the new poverty that plagues this nation. The U.S. Department of Education estimates that 220,000 school-aged children are homeless and that 65,000 of them do not attend school. About 15,600 homeless children live in publicly operated shelters, 90,700 live in privately operated shelters, 55,750 stay with relatives or friends, and 63,170 live "elsewhere." The greatest number of homeless children live in Los Angeles, New York, Chicago, Minneapolis, and Houston. Homelessness among children in the nation's capital has increased by a factor of five in recent years.

A report from the General Accounting Office estimated that, on any given night, 186,000 children who are not actually homeless are "precariously housed," living on the verge of homelessness. The Department of Health and Human Services calculates that, over the course of a

year, as many as one million youngsters under age 18 lack a permanent home or live on the streets.

Despite the $1.7 billion in federal funds expended through the Steward B. McKinney Homeless Assistance Act of 1987 and the millions more spent through the Runaway and Homeless Youth Act of 1974, homelessness continues to grow...

...significant numbers of homeless children suffer a wide range of health disorders. Many risk hearing loss because of untreated ear infections. That in turn leads to serious learning problems. In many homeless shelters, such infectious diseases as tuberculosis and whooping cough run rampant among uninoculated youngsters....

Healthy Goals, Unhealthy Results

At first glance, it seems that the U.S. has a comprehensive health-care system. For example, we spent $551 billion on health care in 1987. But 37 million Americans, including more than 12 million children, have no health insurance. Uninsured children have a 20 percent greater chance of poor health and are less likely to have proper immunization against infectious diseases.

Nearly half of all poor children do not receive benefits from Medicaid, despite recent congressional action ordering states to provide more extensive coverage to poor children and pregnant mothers. The national Commission to Prevent Infant Mortalilty has found that the U.S. ranks 20th among the nations of the world in infant mortality and has urged Congress to take over Medicaid to insure that it reaches *all* infants and pregnant mothers.

This year the Pepper Commission, a bipartisan group of congressional representatives, urged a massive overhaul of the national health system, which is "in total crisis." Among other reforms, the commission called for universal protection for poor children and families. But the $66 billion a year price tag has scared off many potential supporters.

Dr. Myron Wegman of the University of Michigan School of Public Health...discovered the existence of two separate medical nations within this land. One nation is prosperous, with the latest in health technology and knowledge at its disposal; the other nation is deprived, with death rates and health problems that match those commonly found in the Third World.

Persisting Questions of History

Weighing a Policy. Consider the following approaches to poverty in the U.S. today and evaluate the advantages and disadvantages of each. Which policy do you think should be adopted by the government?

a. The problem will eventually solve itself. People will, in the long run, pull themselves up by their bootstraps, and be better for it than when constantly helped by public funds.

b. No public funds should be given, but individuals should give through charitable organizations like the United Way.

c. Provide a family allotment program in which all families would be given a basic minimum income regardless of what other sources of money they might earn by working.

d. Give a guaranteed annual wage to and find jobs for all who want to work. If jobs are lacking, people could work short hours and still earn reasonable incomes.

e. Undertake publicly funded training and relocation of poor people who volunteer for the program. Move them to places where labor shortages exist and make them work for a living, training them if necessary.

f. Send poor people who can't "make it" in the regular competitive society to humane care centers, where they would be cared for and educated away from the stresses of modern urban life. They would be allowed to leave whenever they could hold a job on the "outside."

Technological Unemployment

Suppose that you had concentrated all your education on preparation for a highly skilled job. You have just purchased a $200,000 home and sent your second daughter off to college. Then your boss tells you that the company is installing a new computerized system that will wipe out your job.

You are unemployed, and there is little demand for the skills you have devoted your lifetime to developing. What will you do? What steps, if any, do you think government agencies should take for the benefit of you and your family? Compare your situation with that of someone who has not been able to get any training at all.

Review, Reflection, and Research

The Government and Economic Policy

The government's role in the economy is still controversial. In arguing that farm policy has failed, journalist Robert Samuelson has said:

> The abiding lesson of farm policy is that government can't easily anticipate or override basic changes in economic conditions or technology. For example, in 1981 when the last farm bill was passed, everyone wrongly assumed that the trends of the 1970s – rising exports, high prices – would continue. The mistake left crop support prices too high. Consequently, our farm policies have hurt our exports. Our overseas competitors can win sales by pricing their exports near American crop support levels. At those levels, our farmers effectively sell their grain into the government's bloated reserves. By setting subsidies too high, we stimulate excess production here and abroad." (*Newsweek*, November 18, 1985)

Can you give other evidence that suggests Samuelson is right about the government's ability to anticipate or override changes in economic conditions or technology? Can you think of examples to disprove his point? If he is correct, what are the implications for the government's role in the economy?

Determining Price and Quality

The NRA was an attempt to eliminate cutthroat competition by having businesspeople sit down to decide together reasonable prices and rates for services. This, of course, was a sharp shift in the traditional American ideas of prices and rates being set by competition in the free marketplace. When the NRA ended, presumably there was a return to more competition among businesses. Following are descriptions of the pricing practices of two small businesses, based on personal interviews.

The Garageman's Rate Book. When asked how he determines his prices, this owner of a small garage replies: "You get a flat-rate book, and it's all figured for you. A book will say that it takes an hour to change a fuel pump, for example. So it lists a charge for labor – let's call it $30 – and that's what you charge the customer. It doesn't matter whether you actually do the job in 10 minutes, or if you take three days to finish the job – you charge the set price.

"The companies set their rates by taking an average mechanic with average equipment and clocking him on a job. Sometimes, though, they make the test on a brand-new automobile with nothing stuck. Maybe you have to scrape the grease off an oil pan, and they don't count that. This is one of the big gripes dealers have. In general, though, it balances out – the rates are too low on a few things and too high on a few things."

The Retailer's Markup. The owner of a sporting goods store reports: "In general, an item that costs me 60 cents wholesale goes to the customer for $1. But it depends on the item. A gun is marked up about 33 percent, and fishing tackle is marked up 100 percent. This usually reflects the manufacturer's list price. Of course, most of this markup is taken by overhead – rent, insurance, clerks, and so on.

"To be honest, there isn't an item here you can't buy cheaper somewhere else. People come because of my service and large stock."

- To what extent would you say that these businesses base their pricing on competition and to what extent is their pricing more similar to that set up in the "codes" of the NRA?
- Interview several businessowners in your community. Compare their pricing policies to the ones described above.
- When you interview these businessowners, ask additional questions to determine various ways in which business is currently affected by government programs and regulations. For example, you might ask about government licensing, zoning regulations, taxes, participation in unemployment and social security programs, and so on. You might also ask about benefits programs (medical insurance, paid vacations, and so on) offered to employees.

Socialism vs. Free Enterprise

Socialism and *free enterprise* are often used as terms describing different or even opposite economic systems. With the help of your teacher, a dictionary, and other books, find a general definition of each term.

Following are a number of current or past programs of the U.S. government. Decide whether each of these programs is socialistic (S), free enterprise (FE), or ambiguous (A) – that is, it could be either or both. Investigate those programs with which you are unfamiliar and describe them to the rest of the class.

- Medicare
- Social Security
- regulation of stock transactions
- fluoridation of public water systems
- guarantee of collective bargaining rights for workers
- free school lunch program
- free distribution of surplus food
- graduated income tax
- public housing
- insured mortgate loans
- low-interest government loans for businesses
- GI bill for people who served in the armed forces
- low-interest government loans for students
- Head Start preschool programs for children in low-income families
- government-sponsored job training programs
- WPA
- NRA

After discussing why each program belongs where you have categorized it, improve on the general definitions of the terms so that they take into account the way you have classified the programs. Based on your definitions, would you say that the New Deal moved the United States toward or away from a socialistic economy? Justify your answer.

Economic Planning and Other Nations

Study the economic problems, including poverty, of three nations that have different types of economies. For example, Sweden, the Soviet Union, and Spain might be considered. How serious are economic problems in the countries you have chosen? How much are the respective governments involved in the solutions of these problems? What kinds of solutions have been proposed? What do the people of these countries expect from their government?

To order this unit or for more information on the Public Issues Series, contact:

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THE NEW DEAL: GOVERNMENT AND THE ECONOMY TEACHER'S GUIDE

Public Issues Series Social Science Education Consortium 1990

CONTENTS

The Public Issues Series 1
The Necessary Questions 1
Analyzing the Issues 2
Teaching the Unit 3
Preparing to Teach the Unit 3
Introducing the Unit 3
Problems Demand Relief 3
Recovery and Reform 4
Today's Issues 5
Review, Reflection, and Research 6
Bibliography 7
Student Handout 8

The Public Issues Series

The *Public Issues Series* was originally conceived of by the Harvard Social Studies Project of the 1960s and 1970s. The major purpose of the series—both then and now—is to help students analyze and discuss persisting human dilemmas related to public issues. We would emphasize that the term *public issues* is not synonymous with *current events*. By public issues, we mean problems or value dilemmas persisting throughout history and across cultures. The situations of Christian martyrs in Rome, a bureaucrat in Nazi Germany, a slave in 19th-century America, or an Ethiopian refugee in Texas in 1988 all represent important public issues. We believe that most of the important current events can be clarified by reference to public issues in other places and other times. Thus, all the units in the series suggest parallels between historical illustrations of persisting human dilemmas and present issues in the United States and the world.

The units in the series use historical, fictional, and contemporary situations. They also assist students in using a structured approach to issues analysis and in developing the skills of reasoned discussion. The units are not designed to be followed mechanistically through every question. There is no critical sequence of exercises. Teachers should view the materials provided as possible strategies for developing discussion of public issues and should pick and choose among the materials according to their own goals. In making selections, teachers should note that students will need information from other sources to discuss some questions intelligently; this may be a factor in deciding whether to have students address those particular questions.

As classes work with the materials, it is important to give students a sense of progress by periodically summarizing where the case material and discussion have taken them, particularly in terms of their discussion skills and the central, or necessary, questions of the unit.

The Necessary Questions

This unit on the New Deal focuses on the following organizing questions:

- How responsible should the government be for the economic well-being of citizens? To what extent should this responsibility override tradi-

tional property rights of individuals and businesses?

- What are alternatives to the market system as a means of determining prices and wages? What advantages and disadvantages arise from centralized economic planning?
- How can we assure all Americans a fair share in the fruits of the economic system?

Primary and secondary sources are used to acquaint students with how these questions have manifested themselves in U.S. history, particularly during the 1920s and 1930s. The first section of the book describes conditions in the United States when the Great Depression struck. Students learn about some of the Roosevelt administration's earliest attempts to provide relief through the Agricultural Adjustment Act and the Federal Emergency Relief Administration. The book then presents attempts to promote recovery and reform of the economy, focusing specifically on the National Recovery Administration, the Works Progress Administration, and the Social Security Act. Finally, students examine conflicting views regarding the appropriate government response to the contemporary problem of poverty.

Analyzing the Issues

In addressing the necessary questions of the unit, students will grapple with ethical-value questions, definitional issues, and issues of fact-explanation. For example, students analyze the values that influenced people's views on relief (ethical-value questions), define free enterprise (definitional issues), and discuss whether large-scale government action would result in greater efficiency or greater waste (fact-explanation issues).

As students work through these and other issues, they should be helped to understand that they may need more research and factual information to reach a conclusion. For example, consider the exchange below:

Teacher: Should the government do anything for a family of eight whose income is only $250 a week? (Begins with a specific case requiring a decision. The more general policy issue is implicit.)

Student 1: Why should a family like that be helped? If the parents couldn't support that many kids, they shouldn't have had them. They've made their bed. Let them lie in it. (Supports the value of rugged individualism.)

Student 2: But did the 14-year-old son or the 12-year-old daughter make the decision to be poor? Should they suffer for the poor judgment or incompetence of the parents? (Shows conflicting implication: Children shouldn't have to lie in a bed they did not make.)

Student 1: Well, no. But that's just tough luck. The government can't look out for everyone just because some people have the misfortune to be born poor. (Student reaffirms individualist position.)

Student 2: What if you were walking along a highway and were struck and injured. As you lay beside the road, no one came to help you. Shouldn't the government provide police and ambulances so that you could get some medical care? (Uses an analogy to show extreme case of legitimate need for government help.)

Student 1: That's different. Children who are brought up in poor homes can get ahead if they really want to. If I were seriously injured, I wouldn't even be able to help myself. (Makes distinction between being powerless to help oneself, in which case government aid is justified, and ability for self-help.)

Teacher: Then when it can be shown that an individual does not have the power to get ahead on his or her own, it would be all right for the government to help him/her. (Translates student position on specific issue into general principle.)

Student 1: If that were true, I would agree with it. But everyone can get ahead in the world if he or she really wants to. (Asserts a general factual claim to show that the position suggested by the teacher is not relevant to the case.)

Student 2: Suppose I could show that basic competencies like intelligence and assertiveness are determined to a large extent before the child is six or seven years old. And suppose that small children raised in poverty are deprived of their full potential in such basic characteristics. Would you say that when these children grow up, they have just as good a chance of getting ahead as middle-class kids? Aren't they injured and helpless, like the person struck on the highway? (Stipulates facts and asks student to restate position based on these facts.)

Student 1: If these things were true, I would change my position and agree that some kids really never have a chance. But I don't really believe they are true. You are never too old to learn and get ahead. (Admits that he would qualify position if facts were true, but refuses to accept stipulation and challenges facts.)

Teacher: I guess what we need at this point are some facts regarding the effects of poverty on young children and whether or not it cripples them in later life. (Suggests that this is a factual disagree-

ment to be pursued when more information is available.)

Teaching the Unit

Each Public Issues unit can be taught in a variety of ways. The following is one way to approach *The New Deal: Government and the Economy*. Note that you need not cover all the issues or questions provided in the unit. Your curriculum, student interest, and engagement may dictate the issues on which you decide to focus.

Note that this booklet is not intended to replace your usual approach to the 1930s and therefore does not provide a complete "story" of the period. Rather, the unit is designed to deepen and enhance students' understanding of issues surrounding the New Deal.

Preparing to Teach the Unit. Tell students that they will be beginning a unit on the New Deal. Ask: What one person is most associated with the New Deal? (President Franklin Roosevelt) Have students share what they know about Roosevelt; post the information they provide on the chalkboard.

Point out that Americans of his own era had widely varying views on Roosevelt. Their views were often influenced by their frames of reference; that is, their personal values and beliefs that influence how they look at the world. Frame of reference is important in discussions of public issues; because such discussions will be a major feature of this unit on the New Deal, gaining more insight into frame of reference will be helpful.

Distribute the handout on frame of reference and allow time for students to conduct the analysis called for on the handout. This may be done individually or in small groups.

Introducing the Unit. Assign students to read pages 3-5 of the unit. Review with students the methods for supporting or challenging claims related to each type of issue:

Type of Issue	Strategies for Supporting/Challenging Claims
Ethical-value issues	Use of value-laden language Use of a respected source Prediction of a valued consequence Identification of a conflicting value Use of analogies
Definitional issues	Stipulation Use of a respected source
Fact-explanation issues	Reference to common knowledge Personal observation Use of a respected source Demonstration of consistency with other well-established claims

Problems Demand Relief. "The Great Depression Strikes" describes the events leading up to Roosevelt's taking office in 1932. If you have covered these events through a text unit, you may skip this section or use it as a brief review. If these events are not familiar to your students, you may wish to spend additional time on this section. To introduce the selection, you might ask students to use what they know about the 1920s to characterize the public's attitudes in that decade toward government and the economy. Write students' responses on the board, and then assign reading of the section. As students read, allow time for discussion of the "Questions for Conversation" interspersed throughout the reading. Following the reading, have students speculate on the changing of attitudes about government and the economy as the nation entered the 1930s in the midst of a severe economic depression.

The "Persisting Question of History" following the reading considers what kinds of individual responses are appropriate when people's expectations about being able to make a living are violated. As students consider the various problems and alternatives, encourage them to think of individuals who would have different frames of reference regarding each alternative. For example, a landlord would have a different view than the tenants who cannot pay their rent; a police officer charged with protecting public safety would have yet another view.

The next two readings deal with some of the earliest New Deal legislation designed to provide relief to Americans hardest hit by the depression. Students should be aware that although New Deal legislation was passed rapidly in the vaunted "Hundred Days," there was considerable opposition to many of Roosevelt's proposals.

The section on "Farmers: The AAA" has several readings, which can be discussed separately. The first section tells the story of farm violence in Iowa. Students might debate whether farm conditions justified the violence that occurred. Parallels with actions by farmers in the 1980s who tried to stop sales of foreclosed farms could be drawn.

The next reading focuses on the purposes and strategies of the Agricultural Adjustment Act. In discussing whether the AAA policy of forced destruction of crops was proper when some Americans were starving, students might also consider the use of farm products as bargaining chips in international relations. For example, embargoes have sometimes been placed on sale of American grain to the Soviets because of actions by their government. Are such embargoes ethical, when Soviet people are going hungry?

The second "Question for Conversation" following this reading asks students to define *free enterprise*. You may want to provide a simple definition for their elaboration or refinement. Such a definition is: "a system in which government regulation of the economy is minimal; market forces are allowed to dictate wages and prices."

The next reading in the section focuses on how farmers felt about the AAA and how they used their benefits. The question of what items the farmer should spend money on before paying taxes should spark lively debate. The final reading looks at why the Supreme Court ruled the AAA to be unconstitutional. You may want to point out that this was one of several such cases that eventually prompted President Roosevelt to attempt to increase the size of the Supreme Court so he could "pack" it with New Deal supporters. Although his efforts failed, later legislation did fare better with the Court.

The next reading focuses on the Federal Emergency Relief Administration, presenting a letter written by Lorena Hickock, the relief agency's chief investigator, to Harry Hopkins, relief administrator. In discussing the "Persisting Questions" following the reading, students focus on the issue of whether people needing relief must in some way "deserve" it. Definitional, fact-explanation, and ethical questions may all come into play in this discussion.

Students might look for evidence of what attitudes about people in need of public assistance are prevalent today by reading newspaper articles, editorials, and letters to the editor. What terms are used to describe people receiving public assistance? What values seem to underlie the use of these terms? How might these attitudes affect public policy regarding such issues as poverty and the homeless?

Recovery and Reform. While relief was foremost in many Americans' minds in 1933, policymakers were also thinking of strategies for long-term recovery and reform of the economy. Actions took place on numerous fronts, three of which are examined in this section. The initiatives covered are the National Recovery Administration, the Works Progress Administration, and the Social Security Act.

The section on the NRA presents a brief excerpt from a fireside chat in which Roosevelt explained the functioning of the NRA. This is followed by a description of the case which eventually led to the Supreme Court's striking down the NRA. The first "Persisting Question" following the reading again focuses on defining free enterprise and determining whether the NRA fit within the definition. Some students will likely argue that the idea of the NRA was to force business and labor to accept government supervision and intervention and thus constituted a direct assault on free enterprise. Others may hold that the government can regulate the economy so that the majority of businesses benefit, which is what it was trying to do via the NRA. You might present the following analogies, asking students to analyze how they support or challenge these two positions:

Analogy 1: Suppose that the trucking companies and the Teamsters Union are involved in a bitter labor dispute. Many of the necessities of life – food, clothing, and fuel, for example – cannot be safely transported because of the dispute. The government passes a special law requiring that these two groups come to some kind of agreement within ten days or the government will force a settlement. Is that a justifiable role for the government to play?

Analogy 2: Suppose a huge flood wipes out many people's homes. The government, in cooperation with the Red Cross, sends in the National Guard to help people. Later, most people try to collect for their losses from private insurance companies. If free enterprise can solve emergencies on its own, shouldn't the government stay out?

Analogy 3: Suppose that a couple decide to go into business for themselves. Say they start an auto repair business in their garage. They can charge lower prices for their services because they don't have much overhead. But the car dealers find out about the shop and charge that it violates city zoning laws and must be shut down. Do you think shutting the shop down would be fair?

The section on the WPA presents students with a story that highlights the development of a bureaucracy as a result of the government's larger role in the economy. Before discussing the "Persisting Questions" following the reading, it might be useful to help students describe major characteristics of a bureaucracy. How is it different from or similar to other organizations, such as a family, social club, or neighborhood baseball team? What advantages and disadvantages are there in a social group organized along bureaucractic lines? As students discuss problems created by bureaucracy, they might look at the question of whether computers have changed the nature of the bureaucracy. Do computers make it more or less difficult for citizens to get appropriate responses from the federal bureaucracy?

The final reading in this section is an excerpt from a speech by Labor Secretary Francis Perkins, explaining the provisions of the Social Security Act. You may wish to explain to students that the elderly were among the hardest hit by the Depression; per-

haps only black Americans suffered more. Many older people lost their entire life savings when banks closed. They had no retirement system to provide income. Despite the fact that they had worked hard all their lives – a value stressed in American life – they were left with nothing.

Today, the Social Security System, while financially troubled, is something of a "sacred cow"; older Americans now have enough political clout to make any perceived attack on the system politically dangerous. In fact, it may be difficult for students to imagine not having the system. To address that difficulty, you might have groups, before reading the passage, contrast what they think Hoover and Roosevelt would have done to solve the problems of the elderly during the Depression. They can compare their ideas with the plan described by Perkins.

A somewhat analogous situation today relates to the millions of working Americans who do not have health insurance. Because they are working, they are ineligible for Medicaid assistance. As a result, many of these people simply do not get adequate health care. When a major illness hits, they put a burden on the health care system. What role, if any, should the government take in solving this problem? Should it require employers to offer health insurance to all workers? What would be the impact of doing so? Should it provide a program such as Medicaid for all Americans? What would be the impact of doing so? What will happen if nothing is done?

Today's Issues: Children of Poverty. This reading focuses on the persisting problem of poverty in our society. Because the reading contains a great deal of statistical information, it might be useful to digest it in separate parts. Students might complete a retrieval chart while reading the essay, noting reasons why children live in poverty, evidence that they do live in poverty, and effects of living in poverty. Students could add their own ideas to each column of the chart as well.

You might discuss with students why programs that have been effective in fighting poverty, such as Head Start, have not had sufficient public support to be fully funded. In conducting such a discussion, the following quotation from William Julius Wilson, a sociologist who has studied the urban underclass extensively, gives additional perspective on the "welfare problems."

* * * * *

In 1932 Franklin D. Roosevelt received a popular mandate to attack the catastrophic economic problems created by the Great Depression. He then launched a series of programs – such as Social Security and unemployment compensation – designed to protect all citizens against sudden impoverishment. One of these programs was Aid to Families with Dependent Children (AFDC), the current symbol of income-tested public welfare programs. Aid to Families with Dependent Children, however, was conceived not as a permanent alternative to working but as a temporary means of support for families that were, at the time they applied for aid, clearly unemployable. Indeed, the "safety net" of Roosevelt's New Deal emphatically included the creation of public works projects designed to forestall the formation of a permanent welfare class. It was not necessary to satisfy a means test to work in these projects; the only requirement was that the applicant be unemployed, want a job, and be able to work. Furthermore, no one was denied eligibility for these jobs as a result of being either overskilled or underskilled; the programs attempted to match jobs with individual abilities.

Thus, jobs for able individuals, Social Security, and unemployment compensation for the unemployed were to provide a modicum of security for all. Economic stability was not tied to the dole. By contrast, nearly all of the Great Society programs *were* tied to the dole. Job training, legal aid, and Medicaid levied income tests. In effect, one had to be on welfare to be eligible. Unlike the New Deal programs, the Great Society programs were modeled on the English poor laws. Although these programs improved the life chances of many of their recipients – because job-training programs enabled many long-term welfare recipients to find their first jobs, Medicaid enabled many to receive decent medical care for the first time, and legal aid gave many access to capable lawyers – the programs were increasingly perceived in narrow terms as intended for poor blacks. In the cities, especially, the Great Society programs established what amounted to separate legal and medical systems – one public and predominantly black, the other private and predominantly white. The real problem, however, was that the taxpayers were required to pay for legal and medical services that were provided to welfare recipients but not to the taxpayers – services many taxpayers could not afford to buy for themselves. In other words, this system amounted to taxation to pay for programs that were perceived to benefit mostly minorities, programs that excluded taxpayers perceived to be mostly white. Thus, these programs were cut back

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or phased out during the recent periods of recession and economic stagnation because they could not sustain sufficient political support.

From the New Deal to the 1970s, the Democrats were able to combine Keynesian economics and prosperity for the middle class with social welfare programs and pressures for integrating the poor and minorities into the mainstream of American economic life. The MIT economist Lester Thurow reminds us that "in periods of great economic progress when [the incomes of the middle classes] are rising rapidly, they are willing to share some of their income and jobs with those less fortunate than themselves, but they are not willing to reduce their real standard of living to help either minorities or the poor."

In the face of hard economic times, Pres. Ronald Reagan was able to persuade the middle classes that the drop in their living standards was attributable to the poor (and implicitly, minorities), and that he could restore those standards with sweeping tax and budget cuts. In short, the New Deal coalition collapsed when Reagan was elected. In 1980 the only groups that did not leave the Democratic party in significant numbers were blacks, Hispanics, and the poor – groups that constitute only a quarter of the American population, hardly enough to win a national election, and certainly not enough to sustain programs, incorrectly perceived as benefitting only the minority poor, based on the principle of equality of life chances. What is interesting, however, is that the Reagan administration has shown far less willingness to cut significantly the much more expensive universal programs such as Social Security and Medicare, programs that are not income tested and therefore are available to people across class lines. In this connection, one of the reasons why western European social welfare programs enjoy wide political support (especially in countries such as the Federal Republic of Germany, France, Austria, Sweden, the Netherlands, Belgium, and Norway) is that they tend to be universal – applied across class and racial/ethnic lines – and therefore are not seen as being targeted for narrow class or racially identifiable segments of the population.

I am convinced that, in the last few years of the twentieth century, the problems of the truly disadvantaged in the United States will have to be attacked primarily through universal programs that enjoy the support and commitment of a broad constituency. Under this approach, targeted programs (whether based on the principle of equality of group opportunity or that of equality of life chances) would not necessarily be eliminated, but would rather be deemphasized – considered only as offshoots of, and indeed secondary to, the universal programs. *The hidden agenda is to improve the life chances of groups such as the ghetto underclass by emphasizing programs in which the more advantaged groups of all races can positively relate.*

Review, Reflection, and Research. These exercises include writing, research, and discussion. You may assign them selectively for completion by individual students or small groups, or they can be used as topics for large-group discussion and reflection on the unit. They can also be used for evaluation purposes.

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Student Name _____

FRAME OF REFERENCE

People frequently disagree about how best to frame the central issues coming out of a controversial situation. The way that people come to see the issues in a case is determined to some degree by their *frame of reference* – the most important values and beliefs that influence how they look at the world.

Suppose, for example, that people are discussing whether a student lounge should be built in the high school. The president of the student body lists the following as the major issue:

- Should students have a right to an area in which they can assemble with their friends?

The principal, however, sees the major issue as:

- How could safety be guaranteed if no teacher supervision was allowed in the student lounge?

The student body president and the principal clearly have different frames of reference; we might label one the *rights* framework and the other the *safety* or *power* framework. If the student and principal were involved in discussion, their differing frames of reference could cause considerable disagreement as to which were the most important issues to discuss.

Many situations are viewed quite differently by people who have different frames of reference. For example, should there be a heavy snow in your community, it might be viewed quite differently by a schoolchild, a commuter, a public works official, and a farmer.

Assignment:

1. Several situations are described below. For each situation, list several types of people whose responses might be based on differing perspectives, or points of view. Explain why these points of view would be different.

   - A new high-speed highway is going to be built through town.
   - Students picket a school, protesting the use of styrofoam containers in the cafeteria.
   - The small electric car becomes practical and highly popular.

2. Read the following comments from people who knew President Franklin Roosevelt. How might frame of reference help explain the differences in the comments?

"Roosevelt loved people...He had an infectious sense of humor. He knew how to laugh, and he loved to laugh....His unwillingness to be unpleasantly frank was notorious among those who knew him well...." Samuel I. Rosenman

"The President turned the full vials of his sarcasm upon me. He was a scorcher when aroused...." Douglas MacArthur

"I never knew him to face life or any problem that came up with fear....I have never known a man who gave one a greater sense of security..." Eleanor Roosevelt

"[Roosevelt] became exceedingly sensitive to criticism of any sort and from anyone....[he] was also, because of his political popularity, inclined more and more to believe in the infallibility of his judgments and the omniscience of his knowledge." Raymond Moley

Remember that issues, like people, are complex. The way in which a person sees another individual or an issue depends, in part, on his/her frame of reference.